



## **Blom Arab Markets Balanced Fund**

### **Interim Fund Report**

30 June 2018

Mohamadiya Area, Al-Oula Building, 3rd Floor, King Fahd Road,  
Riyadh 11482, Saudi Arabia  
P.O. Box 8151  
Tel: +966 11 4949555  
Fax: +966 11 4949551  
[www.blom.sa](http://www.blom.sa)

Blominvest Saudi Arabia ("BSA") is a Joint Stock company with a capital of SAR 245 million paid in full under CR 1010254040 date 24/07/1429 H issued from Riyadh, Saudi Arabia. BSA is licensed by the Saudi Capital Market Authority under number 37-08094 to offer the services of Dealing as Principle, Agent, Underwriting, Managing, Arranging, Advising and Custody in Securities Business.

## ❖ Fund Manager

### 1) Name and address of the fund manager.

Blominvest Saudi Arabia, with its registered office at Al Oula Building, 3rd floor, King Fahad Road, Riyadh, P.O. Box 8151, Riyadh 11482, Saudi Arabia with CMA License number: 08094 – 37.

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

The Fund Manager did not appoint a sub-manager or investment advisor.

### 3) Investment activities during the period.

The Fund's NAV increased 3.66% vs a 3.91% hike in the combined index (55% S&P Pan Arab Composite benchmark & 45% S&P Mena & Sukuk benchmark)

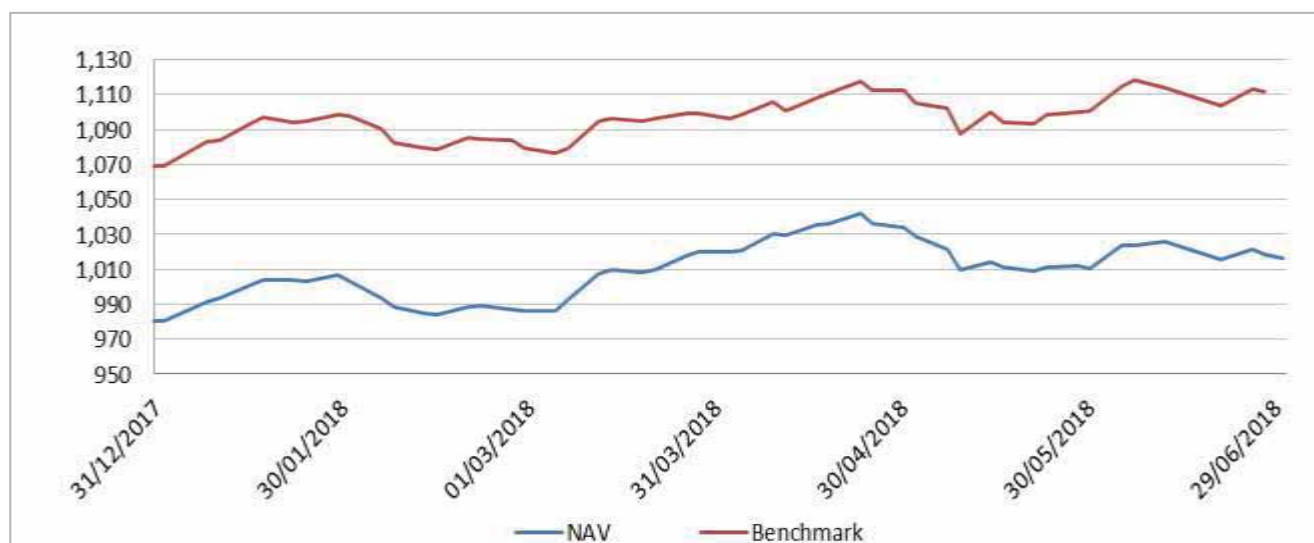
During the 6 months ending June 2018, the Arab markets have experienced diverging tendencies, with Saudi, Egypt Kuwait and Qatar dramatically outperforming UAE and Oman.

The Saudi and Kuwaiti market were rerated favourably on what can be attributed to be major indices inclusion story. The Saudi/UAE (particularly DUBAI) correlation is expected to remain low and therefore a favourable allocation to both countries would probably reduce volatility of the overall fund. Sector wise, Financials, Materials and Industrials were best performing while Real estate fell out of favour across the board except for Egypt, despite maintaining stable profitability on average. Regional debt and Sukuk markets were under pressure until May as interest rates hike expectations and worsening credit outlook of some emerging markets forced the market to boost the regions' required returns despite financial and monetary stability in Egypt and high oil prices for the GCC. The S&P Mena & Sukuk benchmark ended the first 6 months down 1.8%.

### 4) Investment fund's performance during the period.

**YTD** The Fund ended the half year of 2018 up 3.66 % vs 3.91% for the benchmark.

**Since Inception** The Fund ended the half year of 2018 up 1.67% vs 11.21 % for the benchmark.



**5) Details of any material changes made during the period.**

- Update the financial information of the fund manager to reflect the year ended 2017.
- Update the fund's performance to include the year ended 2017 performance.
- Convert the Terms and Conditions to match with the new Investment Fund Regulations' annex 1, annex 2 ,and annex 3.

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

Not Applicable.

**7) Investment fund invests substantially in other investment funds.**

Fund Name	Exposure	Expense ratio	Management fees
Blom MSCI SA Select MinVol Fund	12.06%	1%	0.07%
Ashmore FI Private Placement Fund	3.65%	0.10%	0.002%
Blom Money Market Fund USD	2.33%	0.65%	0.01%

Blom Arab Markets Balanced Fund paid approx. 0.08% in management fees for all the previously mentioned funds.

**8) A statement on any special commission received by the fund manager during the period.**

The Fund manager did not receive any special commission during the half end year of 2018.

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

Not Applicable.

**❖ Financial Statement.**

Ey the external auditor of the fund has issued on 13/08/2018 , the interim Financial Statement as of 30/06/ 2018. Attached the Financial Statement.

**Blom Arab Markets Balanced Fund**  
(Managed by Blominvest Saudi Arabia)

**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**30 JUNE 2018**

**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF BLOM ARAB MARKETS BALANCED FUND (MANAGED BY BLOMINVEST SAUDI ARABIA)**

**Introduction:**

We have reviewed the accompanying interim condensed statement of financial position of BLOM Arab Markets Balanced Fund (the "Fund") managed by Blominvest Saudi Arabia (the "Fund Manager") as at 30 June 2018 and the related interim condensed statements of comprehensive income, changes in net assets attributable to the unitholders and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") 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 interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion:**

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

For Ernst & Young



Yousef A. AlMubarak  
Certified Public Accountant  
License No. 427

Riyadh: 2 Dhul Hijjah 1439H  
(13 August 2018)



## Blom Arab Markets Balanced Fund

### INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

		<b>30 June</b>	31 December	1 January
		<b>2018</b>	2017	2017
	<i>Note</i>	<b>USD</b>	USD	USD
<b>ASSETS</b>				
Investments at fair value through profit or loss	7	<b>8,251,710</b>	8,031,549	9,251,191
Advance for investment		-	-	172
Trade settlement		<b>54,340</b>	-	249,039
Accrued special commission income		<b>19,469</b>	19,335	19,446
Dividend receivable		<b>6,204</b>	9,452	-
Cash and cash equivalents		<b>461,637</b>	1,133,232	527,252
		<b>8,793,360</b>	9,193,568	10,047,100
<b>LIABILITY</b>				
Accrued expenses		<b>77,458</b>	29,650	47,069
<b>TOTAL LIABILITY</b>		<b>77,458</b>	29,650	47,069
<b>NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS</b>				
		<b>8,715,902</b>	9,163,918	10,000,031
Units in issue		<b>8,573</b>	9,344	10,002
Net assets value attributable to each unit		<b>1,016.69</b>	980.73	999.80

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

## Blom Arab Markets Balanced Fund

### INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2018

	<i>Notes</i>	<b>2018</b> <b>USD</b>	<b>2017</b> <b>USD</b>
<b>INCOME (LOSS)</b>			
Net gain (loss) from investments at fair value through profit or loss	8	<b>245,025</b>	(276,865)
Dividend income		<b>160,400</b>	203,397
Special commission income		<b>55,319</b>	48,302
Other (loss) income		<b>(2,488)</b>	11,793
		<hr/> <b>458,256</b> <hr/>	<hr/> (13,373) <hr/>
<b>EXPENSES</b>			
Management fees	10	<b>67,780</b>	72,208
Other expenses	9,10	<b>62,997</b>	50,090
		<hr/> <b>130,777</b> <hr/>	<hr/> 122,298 <hr/>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<b>327,479</b>	(135,671)
<b>OTHER COMPREHENSIVE INCOME</b>		<hr/> - <hr/>	<hr/> - <hr/>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		<hr/> <b>327,479</b> <hr/>	<hr/> (135,671) <hr/>

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

## Blom Arab Markets Balanced Fund

### INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)

For the six-month period ended 30 June 2018

	<i>2018</i> <i>USD</i>	<i>2017</i> <i>USD</i>
<b>NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD</b>	<b>9,163,918</b>	10,000,031
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>327,479</b>	(135,671)
<b>ISSUANCE AND REDEMPTIONS OF UNITS</b>		
Issuance of units during the period	-	100,000
Redemptions of units during the period	<b>(775,495)</b>	(387,291)
Net changes in units	<b>(775,495)</b>	(287,291)
<b>NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD</b>	<b>8,715,902</b>	9,577,069

#### UNIT TRANSACTIONS

Transactions in units made for the period ended 30 June are summarized as follows:

	<i>2018</i> <i>Units</i>	<i>2017</i> <i>Units</i>
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	<b>9,344</b>	10,002
Issuance of units during the period	-	101
Redemptions of units during the period	<b>(771)</b>	(385)
Net changes in units	<b>(771)</b>	(284)
<b>UNITS AT THE END OF THE PERIOD</b>	<b>8,573</b>	9,718

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



## Blom Arab Markets Balanced Fund

### INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2018

	2018 USD	2017 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	327,479	(135,671)
Adjustments to reconcile net income to net cash flows:		
Unrealized gains on investments at fair value through profit or loss	(193,939)	4,592
Unrealized foreign exchange loss (gains) on investments at fair value through profit or loss	9,363	(1,667)
	<u>142,903</u>	<u>(132,746)</u>
Working capital adjustments:		
(Increase) decrease in investments at fair value through profit or loss	(35,585)	1,929,025
Decrease in dividend receivable	3,248	263,872
Increase in trade settlement	(54,340)	-
Increase in accrued special commission income	(134)	-
Increase (decrease) in accrued expenses	47,808	(20,224)
	<u>103,900</u>	<u>2,039,927</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from units issued	-	100,000
Value of units redeemed	(775,495)	(387,291)
	<u>(775,495)</u>	<u>(287,291)</u>
Net cash used in financing activities	(775,495)	(287,291)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(671,595)</b>	<b>1,752,636</b>
Cash and cash equivalents at the beginning of period	<u>1,133,232</u>	<u>527,252</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>461,637</u></b>	<b><u>2,279,888</u></b>

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

# Blom Arab Markets Balanced Fund

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2018

### 1. GENERAL

Blom Arab Markets Balanced Fund (the “Fund”) is an open ended investment fund created by agreement between Blominvest Saudi Arabia- a Saudi Joint Stock Company (the “Fund Manager”) and investors (“unitholders”) in the Fund.

The objective of the Fund is to achieve growth in invested capital over the medium to long term through investment in stocks, equity-linked securities, money market instruments, fixed income securities, mutual funds that invest in such securities and financial instruments, including investment Funds that are managed by the Fund Manager or its affiliates in the Middle East and North Africa (“MENA”) region.

The terms and conditions of the Fund were issued on 28 Dhul-Hijjah 1433H (corresponding to 12 November 2012). The Fund commencement date as per the terms and conditions was 24 Safar 1434H (corresponding to 6 January 2013).

The Fund has appointed HSBC Saudi Arabia Limited to act as its custodian and administrator. The fees for the custodian and administrator services are paid directly by the Fund.

### 2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations (“Amended Regulations”) published by the Capital Market Authority on 16 Sha’aban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia.

### 3. BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with International Accounting Standard (IAS), “Interim Financial Reporting” (“IAS 34”) as endorsed in KSA. These are also the Fund’s first interim condensed financial statements in accordance with International Financial Reporting Standards (“IFRS”), for part of the period covered by the first annual financial statements prepared in accordance with IFRS endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to “IFRS as endorsed in KSA”), and accordingly IFRS 1 “First-time Adoption of International Financial Reporting Standards” endorsed in KSA has been applied.

The interim condensed financial statements do not include all the information and disclosures required in annual financial statements to be prepared in accordance with IFRS as endorsed in KSA, which would be prepared for the year ending 31 December 2018.

Refer to note 13 for information on how the Fund’s interim condensed financial statements are impacted upon the adoption of IFRSs.

These interim condensed financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss which are stated at their fair value) using the accrual basis of accounting and the going concern concept.

These interim condensed financial statements are presented in US Dollars (“USD”), which is the functional currency of the Fund, and all values are rounded to the nearest one USD, except where otherwise indicated.

Results for the interim reporting period are not necessarily indicative of future periods.

# Blom Arab Markets Balanced Fund

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Fund in preparing its interim condensed financial statements:

#### 4.1 Financial instruments

Classification of financial assets depends on the Fund's business model for managing its financial assets and the contractual terms of the cash flows. The Fund classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised through the interim condensed statement of comprehensive income.

Other receivables and accrued income are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method.

#### *Initial measurement*

Financial assets are initially measured at its fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the interim condensed statement of comprehensive income.

#### *Subsequent measurement*

##### *Debt instruments*

The Fund recognises three classifications to subsequently measure its debt instruments:

- *Amortised cost*  
Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the interim condensed statement of income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- *Fair Value through Other Comprehensive Income ("FVOCI")*  
Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the interim condensed statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the interim condensed statement of income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.
- *Fair Value through profit or loss ("FVPL")*  
Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through the interim condensed statement of income and which is not part of a hedging relationship is recognised and presented net in the interim condensed statement of income in the period in which it arises.

## Blom Arab Markets Balanced Fund

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.1 Financial instruments (continued)

###### *Equity instruments*

The Fund measures all equity investments at fair value through profit or loss and presents changes in fair value of equity investments in the interim condensed statement of comprehensive income.

###### *De-recognition*

A financial asset or a part of a financial asset is de-recognised when:

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

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

###### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the interim condensed statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

###### *Impairment*

The Fund assesses on a forward looking basis the Expected Credit Losses (“ECL”) associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI, the ECL is based on a 12-month ECL and life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance increase in credit risk since origination, the allowance will be based on the lifetime ECL. For accounts receivables, the Fund applies the general approach.

##### 4.2 Cash and cash equivalents

Cash and cash equivalents in the interim condensed statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as ‘cash and cash equivalents’.

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.3 Redeemable Units

Redeemable units are classified as equity instruments when:

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

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

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

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

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

No gain or loss is recognised in the interim condensed statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

##### 4.4 Dividend income

Dividend income is recognised in the interim condensed statement of comprehensive income on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVPL is recognised in interim condensed statement of comprehensive income in a separate line item.

##### 4.5 Net gain or loss on financial assets at fair value through profit or loss ("FVPL")

Net gains or losses on financial assets at FVPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

##### 4.6 Special commission income

Special commission income are recognised in the statement of comprehensive income for all commission-bearing financial instruments using the effective interest method.

## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.7 Fee and other expenses

Fee and other expenses are recognized on an accrual basis.

##### 4.8 Zakat and income tax

Under the current system of taxation in Kingdom of Saudi Arabia the Fund is not liable to pay any zakat or income tax as they are considered to be the obligation of the Unitholders and as such, are not provided in the interim condensed financial statements.

##### 4.9 Foreign currency translation

Transactions in foreign currencies are translated into SR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the interim condensed statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in the interim condensed statement of comprehensive income as net foreign exchange losses, except for those arising on financial instruments at FVPL, which are recognised as a component of net gain from financial instruments at FVPL.

#### 5. USE OF JUDGMENTS AND ESTIMATES

The preparation of interim condensed financial statements in conformity with IFRS as endorsed in the KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Funds' accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant areas where management has used estimates, assumptions or exercised judgement are as follows:

##### *Fair value Measurement*

The Fund measures its investments in financial instruments, such as equity instruments, debentures, other commission bearing investments and derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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

The Fund measures financial instruments at fair value at each reporting date. Fair values of those financial instruments are disclosed in note 11.

## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 5. USE OF JUDGMENTS AND ESTIMATES (continued)

##### *Going concern*

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

#### 6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements. In the opinion of the Board, these standards will clearly not impact the Fund. The Fund intends to adopt these standards, if applicable, when they become effective.

#### 7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss are analysed as follows as at 30 June 2018:

	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised (loss) gain USD</i>
Investments in equities	6,691,377	6,678,829	(12,549)
Investments in mutual funds	1,429,565	1,572,881	143,316
	<u>8,120,942</u>	<u>8,251,710</u>	<u>130,767</u>

The investment in equities by country is analysed as follows as at 30 June 2018:

<i>Country Name</i>	<i>% of Market value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised (loss) gain USD</i>
United Arab Emirates	30.24	2,142,676	2,019,891	(122,785)
Saudi Arabia	27.38	1,736,971	1,828,988	92,017
Egypt	18.43	1,200,342	1,230,786	30,444
Kuwait	7.18	462,116	479,365	17,249
Qatar	4.33	296,277	289,520	(6,757)
Bahrain	4.32	294,746	288,750	(5,996)
Netherlands	4.30	297,150	287,469	(9,681)
Cayman Islands	2.87	200,100	191,500	(8,600)
Oman	0.95	61,000	62,560	1,560
	<u>100.00</u>	<u>6,691,378</u>	<u>6,678,829</u>	<u>(12,549)</u>



## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Investments in mutual funds comprise the following as at 30 June 2018:

<i>Country Name</i>	<i>% of Market value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised Gain USD</i>
Saudi Arabia	87.07	1,249,528	1,369,537	120,009
Lebanon	12.93	180,037	203,344	23,307
	<u>100.00</u>	<u>1,429,565</u>	<u>1,572,881</u>	<u>143,316</u>

Investments at fair value through profit or loss are analysed as follows as at 31 December 2017:

	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised (loss) gain USD</i>
Investments in equities	7,594,659	7,494,587	(100,072)
Investments in mutual funds	500,024	536,962	36,938
	<u>8,094,683</u>	<u>8,031,549</u>	<u>(63,134)</u>

The investment in equities by country is analysed as follows as at 31 December 2017:

<i>Country Name</i>	<i>% of Market value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised (loss) gain USD</i>
Egypt	27.17	1,946,880	2,035,973	89,093
United Arab Emirates	24.42	1,868,458	1,830,275	(38,183)
Saudi Arabia	22.40	1,826,705	1,678,878	(147,827)
Kuwait	12.58	915,288	943,026	27,738
Netherlands	3.99	297,150	299,210	2,060
Bahrain	3.97	294,747	297,646	2,899
Cayman Islands	2.78	200,100	208,453	8,353
Qatar	2.67	245,331	199,866	(45,465)
Oman	0.02	-	1,260	1,260
	<u>100.00</u>	<u>7,594,659</u>	<u>7,494,587</u>	<u>(100,072)</u>

Investments in mutual funds comprise the following as at 31 December 2017:

<i>Country Name</i>	<i>% of Market value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gain USD</i>
Saudi Arabia	62.89	319,987	337,682	17,695
Lebanon	37.11	180,037	199,280	19,243
	<u>100.00</u>	<u>500,024</u>	<u>536,962</u>	<u>36,938</u>



## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Investments at fair value through profit or loss are analysed as follows as at 1 January 2017:

	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised (loss) gain USD</i>
Investments in equities	7,610,458	7,131,326	(479,132)
Investments in mutual funds	2,046,757	2,119,865	73,108
	<u>9,657,215</u>	<u>9,251,191</u>	<u>(406,024)</u>

The investment in equities by country is analysed as follows as at 1 January 2017:

<i>Country Name</i>	<i>% of Market value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised (loss) gain USD</i>
Saudi Arabia	37.41	3,133,237	2,667,806	(465,431)
United Arab Emirates	24.20	1,739,600	1,725,576	(14,024)
Qatar	18.22	1,255,829	1,299,240	43,411
Egypt	7.68	589,608	547,594	(42,014)
Oman	5.62	400,610	400,808	198
Bahrain	4.19	294,746	299,145	4,399
Netherlands	2.68	196,828	191,157	(5,671)
	<u>100.00</u>	<u>7,610,458</u>	<u>7,131,326</u>	<u>(479,132)</u>

Investments in mutual funds comprise the following as at 1 January 2017:

<i>Country Name</i>	<i>% of Market value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gain USD</i>
Saudi Arabia	63.47	1,322,487	1,345,431	22,944
Lebanon	36.53	724,270	774,434	50,164
	<u>100.00</u>	<u>2,046,757</u>	<u>2,119,865</u>	<u>73,108</u>

Investments in equities and in mutual funds are unrated. The Fund also does not have an internal grading mechanism. However, it seeks to limit its risk by monitoring investments sector exposures and setting limits for individual sectors.

#### 8. NET GAIN FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>For the six-month period ended 30 June</i>	
	<i>2018 USD</i>	<i>2017 USD</i>
Realised forex loss	(154)	(1,407)
Realised gain (loss)	60,603	(272,533)
Unrealised forex (loss) gain	(9,363)	1,667
Unrealised gain (loss)	193,939	(4,592)
	<u>245,025</u>	<u>(276,865)</u>

## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 9. OTHER EXPENSES

	<i>For the six-month period ended</i>	
	<i>30 June</i>	
	<i>2018</i>	<i>2017</i>
	<i>USD</i>	<i>USD</i>
Fund administration fees (see below)	<b>12,000</b>	12,000
Custodian fees (see below)	<b>12,000</b>	12,000
Regulatory fees	<b>6,952</b>	6,952
Audit fees	<b>5,950</b>	5,950
Fund's board expense	<b>4,959</b>	4,959
Transaction fees	<b>3,200</b>	3,200
Miscellaneous	<b>17,936</b>	5,029
	<b>62,997</b>	50,090
	<b>62,997</b>	50,090

HSBC Saudi Arabia Limited act as the custodian and administrator of the Fund. The Fund also pays an administration fee calculated at an annual rate, as per the below table as set out in the Fund's terms and conditions, of the net asset value at each valuation date.

<i>Net asset value</i>	<i>Annual rate</i>
From USD Nil to USD 50 million	<b>0.10%</b>
USD 50 million and above	<b>0.08%</b>
Minimum monthly administration fee	<b>USD 2,000</b>

Custody fee is calculated and accrued at a rate of 0.10% per annum of the net asset value at each valuation date as set out in the Fund's terms and conditions and subject to the monthly minimum fee of USD 2,000.

#### 10. TRANSACTIONS WITH RELATED PARTIES

The Fund pays a management fee calculated at an annual rate of 1.50% of the net asset value at each valuation date as set out in the Fund's terms and conditions.

The Fund also accounts for transaction charges paid to the custodian. Additionally, expenses paid by the Fund Manager on behalf of the Fund are reimbursed from the Fund. The Fund pays its Board an annual meeting fees amounting to USD 10,000.

The management fees amounting to USD 67,780 (2017: USD 72,208) reflected in the statement of comprehensive income represents the fees charged by the Fund Manager during the period as prescribed above.

The Unitholders' account during the period included units held as follows:

	<i>30 June</i>	<i>31 December</i>	<i>1 January</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>Units</i>	<i>Units</i>	<i>Units</i>
Held by the fund manager	<b>2,300</b>	2,300	2,300
	<b>2,300</b>	2,300	2,300

## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 11. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The following table shows financial instruments recognised at fair value as at 30 June 2018, 31 December 2017, and 1 January 2017. For all other financial assets and liabilities, the carrying value is an approximation of fair value, including cash and cash equivalents, dividend receivable and accrued expenses:

	<i>30 June 2018</i>			
	<i>Level 1 USD</i>	<i>Level 2 USD</i>	<i>Level 3 USD</i>	<i>Total USD</i>
Investments at FVPL	<b>8,251,710</b>	-	-	<b>8,251,710</b>
Total	<b>8,251,710</b>	-	-	<b>8,251,710</b>
	<i>31 December 2017</i>			
	<i>Level 1 USD</i>	<i>Level 2 USD</i>	<i>Level 3 USD</i>	<i>Total USD</i>
Investments at FVPL	8,031,549	-	-	8,031,549
Total	8,031,549	-	-	8,031,549
	<i>1 January 2017</i>			
	<i>Level 1 USD</i>	<i>Level 2 USD</i>	<i>Level 3 USD</i>	<i>Total USD</i>
Investments at FVPL	9,251,191	-	-	9,251,191
Total	9,251,191	-	-	9,251,191

## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 12. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

<i>As at 30 June 2018</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
<b>ASSETS</b>			
Investments at fair value through profit or loss	8,251,710	-	8,251,710
Trade settlement	54,340	-	54,340
Accrued special commission income	19,469	-	19,469
Dividend receivable	6,204	-	6,204
Cash and cash equivalents	461,637	-	461,637
<b>TOTAL ASSETS</b>	<b>8,793,360</b>	<b>-</b>	<b>8,793,360</b>
<b>LIABILITY</b>			
Accrued expenses	77,458	-	77,458
<b>TOTAL LIABILITY</b>	<b>77,458</b>	<b>-</b>	<b>77,458</b>
<i>As at 31 December 2017</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
<b>ASSETS</b>			
Investments at fair value through profit or loss	8,031,549	-	8,031,549
Accrued special commission income	19,335	-	19,335
Dividend receivable	9,452	-	9,452
Cash and cash equivalents	1,133,232	-	1,133,232
<b>TOTAL ASSETS</b>	<b>9,193,568</b>	<b>-</b>	<b>9,193,568</b>
<b>LIABILITY</b>			
Accrued expenses	29,650	-	29,650
<b>TOTAL LIABILITY</b>	<b>29,650</b>	<b>-</b>	<b>29,650</b>
<i>As at 1 January 2017</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
<b>ASSETS</b>			
Investments at fair value through profit or loss	9,251,191	-	9,251,191
Advance for investment	172	-	172
Trade settlement	249,039	-	249,039
Accrued special commission income	19,446	-	19,446
Cash and cash equivalents	527,252	-	527,252
<b>TOTAL ASSETS</b>	<b>10,047,100</b>	<b>-</b>	<b>10,047,100</b>
<b>LIABILITY</b>			
Accrued expenses	47,069	-	47,069
<b>TOTAL LIABILITY</b>	<b>47,069</b>	<b>-</b>	<b>47,069</b>

## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 13. FIRST-TIME ADOPTION OF IFRS

For all periods up to and including the year ended 31 December 2017, the Fund prepared and published its audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP) issued by SOCPA in KSA (“SOCPA GAAP”). As noted in note 3, these interim condensed financial statements are the Fund’s first such financial statements in accordance with the IFRS as endorsed in KSA.

Accordingly, the Fund has applied the IFRS as endorsed in KSA for preparation of its interim condensed financial statements for the period beginning 1 January 2018, as well as for presenting the relevant comparative period data. In compliance with requirements of IFRS 1 endorsed in KSA, the Fund’s opening condensed statement of financial position was prepared as at 1 January 2017 to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Fund has analysed the impact on the condensed statement of financial positions as at 1 January 2017, 31 December 2017 and also the interim condensed statements of comprehensive income for the six month period ended 30 June 2017, and no significant adjustments has been identified in transitioning from SOCPA GAAP to IFRS as endorsed in KSA.

In preparing its opening interim condensed statement of financial position as at 1 January 2017, the financial statements for the year ended 31 December 2017 and the interim condensed financial statements for the six month period ended 30 June 2017 in accordance with IFRS as endorsed in KSA, the Fund has analyzed the impact and noted the following adjustments are required to the amounts reported previously in these financial statements that were prepared in accordance with SOCPA GAAP.

#### 13.1 Company reconciliation of total comprehensive income for the period ended 30 June 2017

		SOCPA GAAP 30 June 2017 SR	Reclassification	Re- measurement	IFRS as endorsed in KSA 30 June 2017 SR
Net gain from investments at fair value through profit or loss	A	(255,319)	-	(21,546)	(276,865)
Dividend income		203,397	-	-	203,397
Special commission income		48,302	-	-	48,302
Other income		11,793	-	-	11,793
<b>INCOME</b>		<u>8,173</u>	<u>-</u>	<u>(21,546)</u>	<u>(13,373)</u>
Management fees		72,208	-	-	72,208
Other expenses		50,090	-	-	50,090
<b>TOTAL OPERATING EXPENSES</b>		<u>122,298</u>	<u>-</u>	<u>-</u>	<u>122,298</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>(114,125)</u>	<u>-</u>	<u>(21,546)</u>	<u>(135,671)</u>

## Blom Arab Markets Balanced Fund

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

#### 13. FIRST-TIME ADOPTION OF IFRS (continued)

##### 13.2 Company reconciliation of total comprehensive income for the period ended 31 December 2017

		SOCPA GAAP 31 December 2017 SR	Reclassificat ion	Re- measureme nt	IFRS as endorsed in KSA 31 December 2017 SR
Net gain from investments at fair value through profit or loss	A	(322,627)	-	(8,586)	(331,213)
Dividend income		283,167	-	-	283,167
Special commission income		96,412	-	-	96,412
Other income		14,470	-	-	14,470
<b>INCOME</b>		<u>71,422</u>	<u>-</u>	<u>(8,586)</u>	<u>62,836</u>
Management fees		143,297	-	-	143,297
Other expenses		100,041	-	-	100,041
<b>TOTAL OPERATING EXPENSES</b>		<u>243,338</u>	<u>-</u>	<u>-</u>	<u>243,338</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>(171,916)</u>	<u>-</u>	<u>(8,586)</u>	<u>(180,502)</u>

##### 13.3 EXPLANATION OF TRANSITION TO IFRS

###### A - Financial instruments

All available for sale investments were transferred as financial asset at fair value through profit or loss. Accordingly, USD 21,546 for the period ended 30 June 2017 and USD 8,586 for the year ended 31 December 2017 has been reclassified from the interim condensed statements of changes in net assets attributable to the unitholders to interim condensed statements of comprehensive income.

#### 14. LAST VALUATION DAY

The last valuation day of the period was 30 June 2018 (2017: 31 December 2017)