

**QE INDEX ETF**  
**FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED**  
**31 DECEMBER 2020**

**QE INDEX ETF**  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

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## **INDEPENDENT AUDITOR'S REPORT**

To the unit holders of QE Index ETF

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

#### *Opinion*

We have audited the financial statements of QE Index ETF (the 'Fund'), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in net assets attributable to the unit holders and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS') and the applicable provisions of Qatar Central Bank regulations ('QCB regulations').

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ('ISA'). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code') together with the ethical requirements that are relevant to our audit of the Fund's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**INDEPENDENT AUDITOR’S REPORT (CONTINUED)**

Key Audit Matters (continued)

Description of key audit matter	How the matter was addressed in our audit
<p><u>Valuation and existence of investment securities, and net gain from investment securities - refer to note 4 and note 6 in the financial statements</u></p> <p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• The carrying value of Investment securities as at 31 December 2020, which comprise listed equity securities, was QAR 409,220,205 representing 99.95% of the total net asset value as at 31 December 2020, hence a material portion of the Statement of Financial Position.</li> <li>• Net gain from investment securities was QAR 9,307,576 representing 39.95% of the total income for the year ended 31 December 2020, hence a material portion of the Statement of Comprehensive Income.</li> </ul>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• Testing the valuation of the listed investment portfolio as at 31 December 2020, by agreeing the prices used by the fund manager in the valuation to independent third party sources as at 31 December 2020.</li> <li>• Testing the existence of the listed investment portfolio by agreeing the holdings of investments to an independent custodian confirmation as at 31 December 2020.</li> <li>• Re-computing the net gain from investment securities, comprising of net realized loss on sale of investment securities and net unrealized gain on revaluation of investment securities.</li> <li>• For the net realized loss on sale of investment securities, testing a sample of disposal proceeds to deal tickets and bank statements.</li> <li>• For the net unrealized gain on revaluation of listed investment securities, comparing the purchase cost of the investment securities against the market value of the investment portfolio as at 31 December 2020.</li> </ul>



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### *Responsibilities of management for the Financial Statements*

The manager of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and QCB regulations, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *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 ISA 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 ISA, 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 the Fund Manager.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Fund manager with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Fund manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Fund has maintained proper accounting records and its financial statements are in agreement therewith. We are not aware of any violations of the provisions of the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No.11 of 2015 or terms of Articles of Association and any related amendments thereto having occurred during the year which might have had a material effect on the Fund's financial position or performance as at and for the year ended 31 December 2020.

18 February 2021  
Doha  
State of Qatar


Gopal Balasubramaniam  
KPMG Qatar  
Auditor's Registry Number 251  
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Auditor's License No. 120153



**QE INDEX ETF**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2020

	Note	31 December 2020 QAR	31 December 2019 QAR
<b>ASSETS</b>			
Cash and cash equivalents	3	1,385,267	1,240,173
Investment securities	4	409,220,205	366,660,260
<b>TOTAL ASSETS</b>		<b>410,605,472</b>	<b>367,900,433</b>
<b>LIABILITIES</b>			
Payables and accrued expenses	5	1,165,658	1,005,227
<b>TOTAL LIABILITIES</b>		<b>1,165,658</b>	<b>1,005,227</b>
<b>NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS</b>		<b>409,439,814</b>	<b>366,895,206</b>
<b>NUMBER OF UNITS IN ISSUE (UNITS)</b>		<b>39,987,310</b>	<b>35,737,310</b>
<b>NET ASSET VALUE PER UNIT (QAR)</b>		<b>10.239</b>	<b>10.266</b>

These financial statements were approved by the Founder's Board of Directors and were signed on its behalf by

  
Dr. Kaghavan Seetharaman  
Group Chief Executive Officer  
Doha Bank Q.P.S.C.



18 February 2021



The accompanying notes 1 to 10 form an integral part of these financial statements.

**QE INDEX ETF**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2020

	Note	For the year ended 31 December 2020  QAR	For the year ended 31 December 2019  QAR
<b>OPERATING INCOME</b>			
Net gain from investment securities	6	9,307,576	4,202,721
Dividend income		<u>13,988,520</u>	<u>15,424,928</u>
<b>Total income</b>		<u><b>23,296,096</b></u>	<u>19,627,649</u>
<b>EXPENSES</b>			
Management fees	7	(739,848)	(731,268)
Administration fees		(391,606)	(388,008)
Custodian fees		(181,822)	(156,369)
Brokerage fees		(86,815)	(95,911)
Other operating expenses		<u>(462,506)</u>	<u>(451,383)</u>
<b>Total expenses</b>		<u><b>(1,862,597)</b></u>	<u>(1,822,939)</u>
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS</b>		<u><b>21,433,499</b></u>	<u>17,804,710</u>



The accompanying notes 1 to 10 form an integral part of these financial statements.



**QE INDEX ETF****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS**

For the year ended 31 December 2020

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	Number of units	QAR	Number of units	QAR
Balance at 1 January (Audited)	<u>35,737,310</u>	<u>366,895,206</u>	<u>35,737,310</u>	<u>364,278,852</u>
Change in net assets attributable to the unit holders	-	21,433,499	-	17,804,710
Dividend paid (Note 9)		(15,263,716)		(15,188,356)
<u>Contributions and redemptions by unit holders:</u>				
Issue of redeemable units during the year	5,700,000	49,848,875	-	-
Redemption of redeemable units during the year	<u>(1,450,000)</u>	<u>(13,474,050)</u>	<u>-</u>	<u>-</u>
Transactions with the unit holders	<u>4,250,000</u>	<u>36,374,825</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 December</b>	<b><u>39,987,310</u></b>	<b><u>409,439,814</u></b>	<b><u>35,737,310</u></b>	<b><u>366,895,206</u></b>

The accompanying notes 1 to 10 form an integral part of these financial statements.

**QE INDEX ETF**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2020

	Note	For the year ended 31 December 2020 QAR	For the year ended 31 December 2019 QAR
<b>OPERATING ACTIVITIES</b>			
Change in net assets attributable to the unit holders		21,433,499	17,804,710
Adjustments for:			
Net unrealized gain on revaluation of investment securities	6	<u>(11,597,636)</u>	<u>(5,402,113)</u>
Operating profit before changes in operating assets and liabilities		9,835,863	12,402,597
<i>Changes in:</i>			
Investment securities		(30,962,309)	2,702,437
Payables and accrued expenses		<u>160,431</u>	<u>742,413</u>
<b>Net cash (used in) / from operating activities</b>		<b><u>(20,966,015)</u></b>	<b><u>15,847,447</u></b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of redeemable units		49,848,875	-
Payment against redemption of units		(13,474,050)	-
Dividends paid (Note 9)		<u>(15,263,716)</u>	<u>(15,188,356)</u>
<b>Net cash from / (used in) financing activities</b>		<b><u>21,111,109</u></b>	<b><u>(15,188,356)</u></b>
Net increase in cash and cash equivalents		145,094	659,091
Cash and cash equivalents at the beginning of the year		<u>1,240,173</u>	<u>581,082</u>
<b>Cash and cash equivalents at 31 December</b>	3	<b><u>1,385,267</u></b>	<b><u>1,240,173</u></b>

The accompanying notes 1 to 10 form an integral part of these financial statements.

**QE INDEX ETF**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

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**1. LEGAL STATUS AND MAIN ACTIVITIES**

QE Index ETF (“QETF” or “the Fund”) was established on 9 April 2017, as an open ended fund and is registered in the Investment Funds Register at the Ministry of Economy and Commerce under registration certificate no. 96762 and is licensed by the Qatar Central Bank under license no. IF/26/2016 in accordance with Law No. (25) of 2002 and the Ministry of Economy and Commerce Decision No. (69) of the year 2004 for issuing by-laws for investment funds of the State of Qatar. The Fund commenced its operation on 12 February 2018.

The Fund is authorised by Qatar Financial Markets Authority (QFMA) and was listed on Qatar Stock Exchange on 5 March 2018.

The Fund has, at the date of establishment, a minimum capital of QAR 10,000,000.

Doha Bank Q.P.S.C., the “Founder”, is a Qatari closed public shareholding company, having QCB License No. B.S.D/11/1979 and registered with the Ministry of Economy and Commerce under Commercial Registration Number 7115.

Effective 1 September 2019, the Fund is managed by Aventicum Capital Management (Qatar) L.L.C. authorised by the Qatar Financial Centre Regulatory Authority (QFCRA) on 2 July 2013 (QFC No. 00173) and registered with QFMA on 31 March 2019.

Standard Chartered Bank (Qatar branch) is the appointed Custodian and Administrator of the Fund.

**Objective of the Fund and nature of its activity**

The principal objective of the Fund is:

- a) To replicate the performance results of the Qatar Exchange Price Index (“Index”) (which is a capitalisation weighted index of the twenty most highly capitalised and liquid issuers whose equity securities trade on the exchange) by investing in the Index Components according to weights that substantially correspond with those found in the Index;
- b) The fund will not hold more than 10% of the total outstanding voting securities of any issuer, including any Index Component. The maximum weight that any index Component may comprise of the Fund as of each semi-annual rebalance of the Index, is 15% of the Total Net Assets; and
- c) The fund will not invest in the securities of the Founder, Fund manager or Investment Custodian except to the extent such securities are Index Components.

The financial statements for the year ended 31 December 2020 was authorized for issue by the Founder on 18 February 2021.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The financial statements of the Fund for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the applicable provisions of the Qatar Central Bank regulations.

These financial statements is prepared on a historical cost basis, except for investment securities classified as fair value through profit or loss which are carried at fair value.

These financial statements have been presented in QAR, which is the presentational currency of the Fund’s financial statements.

## **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.2 Use of Judgments and estimates**

The preparation of these financial statements in conformity with the IFRSs requires Fund Manager to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

#### **Standards, amendments and interpretations issued**

##### *New Standards, amendments and interpretations issued and effective on or after 1 January 2020*

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of Material (Amendments to IAS 1 and IAS 8)

The adoption of these new standards and amendments had no significant impact on the financial statements of the Fund.

##### *Standards, amendments and interpretations issued but not yet effective*

The new standards, amendments to standards and interpretations which have been issued but are not yet effective for the year ended 31 December 2020 and have not been applied in preparing these financial statements were as follows:

- Annual Improvements to IFRS Standards 2018 – 2020
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The Fund does not plan to early adopt these standards.

### **2.3 Significant accounting policies**

#### **a) Revenue recognition**

- Interest from deposits and other financial assets are recognised on an accrual basis using the effective interest rate method.
- Dividend income is recognised when the Fund has the right to collect the dividends.

#### **b) Fees and commissions**

Fees and commissions expenses are recognized on an accrual basis.

#### **c) Financial instruments**

##### **Classification**

The Fund classifies its financial assets and financial liabilities into the following category:

##### **(i) Financial assets at fair value through profit or loss**

Financial assets classified as 'Fair value through profit or loss' are acquired principally for the purpose of generating a profit from short-term sale.

## **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.3 Significant accounting policies (continued)**

#### **c) Financial instruments (continued)**

##### **(ii) Recognition**

The Fund recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

##### **(iii) De-recognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- 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.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset.

The Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

##### **(iv) Initial measurement**

Financial assets classified as 'Fair value through profit or loss' are recorded in the statement of financial position at fair value. Net gains and losses including any dividend income is recognized in profit or loss. All transaction costs related to such financial assets and liabilities are recognized directly in profit or loss.

##### **(v) Subsequent measurement**

After initial measurement, the Fund measures financial instruments which are classified as 'Fair value through profit or loss' at closing price. Subsequent changes in the fair value of those financial instruments are recorded in 'Net gain or loss on financial assets and liabilities at fair value through profit or loss'.

#### **Cash and cash equivalents**

For the purpose of the cash flows statement, cash and cash equivalents consist of bank balances.

#### **Fair value**

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

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

#### **Other payables and accruals**

Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the supplier or not.

#### **Other receivables**

Other receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

**QE INDEX ETF**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Significant accounting policies (continued)**

**c) Financial instruments (continued)**

**(v) Subsequent measurement (continued)**

**Subscriptions pending allotment**

The initial subscriptions made by the investors before the allotment of units will be recorded as liabilities against the cash received.

**Offsetting**

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

**3. CASH AND CASH EQUIVALENTS**

	<b>31 December 2020 QAR</b>	31 December 2019 QAR
Current accounts	<u>1,385,267</u>	<u>1,240,173</u>

**4. INVESTMENT SECURITIES**

Investment securities carried as fair value through profit or loss:

	<b>31 December 2020 QAR</b>	31 December 2019 QAR
Listed equity securities – State of Qatar	<u>409,220,205</u>	<u>366,660,260</u>

**5. PAYABLES AND ACCRUED EXPENSES**

	<b>31 December 2020 QAR</b>	31 December 2019 QAR
Management Fee	739,848	731,268
Custodian fees	46,304	40,828
Administration fees	98,576	97,085
Other accruals	<u>280,930</u>	<u>136,046</u>
	<u><b>1,165,658</b></u>	<u>1,005,227</u>

**QE INDEX ETF**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

**6. NET GAIN FROM INVESTMENT SECURITIES**

	<b>For the year ended 31 December 2020 QAR</b>	For the year ended 31 December 2019 QAR
Net loss on sale of investment securities	(2,290,060)	(1,199,392)
Net unrealized gain on revaluation of investment securities	<u>11,597,636</u>	<u>5,402,113</u>
	<u><b>9,307,576</b></u>	<u><b>4,202,721</b></u>

**7. RELATED PARTIES TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

**Total Expense Ratio**

The Fund shall pay to the parties from the Total Expense Ratio (“TER”) of 0.5% of average daily Net asset value payable annually in arrears at the close of the last Valuation period of each calendar year.

The Fund shall pay all costs and fees associated with the Fund from the TER including:

- The Investment Custodian’s Fees, inclusive of and fees charged by the Investment Custodian for administrative, transfer agency and/or registrar fees;
- The Administrator’s fees;
- Listing fees charged by the Qatar Exchange;
- Licensing fees charged by the Index provider;
- Fees of Qatar Central Securities Depository;
- All reasonable fees incurred in connection with producing, printing, posting and otherwise distributing the Prospectus and other required Periodic reports;
- Reasonable audit fees;
- Reasonable legal fees;
- Reasonable marketing fees;
- Brokerage fees
- Any other fixed costs.

Any remaining fee from the TER after payment of the above expenses shall be paid in the ratio of 50% to Fund manager and 50% to Founder of the Fund.

**QE INDEX ETF**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

**7. RELATED PARTIES TRANSACTIONS (CONTINUED)**

**Management fees**

The management fee is calculated and payable to the Founder and the Fund Manager on an annual basis in the ratio of 50% to Fund manager and 50% to Founder of the Fund from the TER after payment of the above expenses.

	31 December 2020 QAR	31 December 2019 QAR
<b>Statement of financial position items</b>		
Accrued management fees	<u>739,848</u>	<u>731,268</u>
<b>Statement of comprehensive income items</b>		
Management fees	<u>739,848</u>	<u>731,268</u>

**8. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES**

**Introduction**

The Fund's investment strategy is to replicate the investment results of the Qatar Exchange Price Index by investing in the Index Components according to weights that substantially correspond to those found in the Index. In order to manage risks at least 90% of the fund's capital will be invested in Index Components, the remainder will be kept in cash or local money market instruments. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

**Risk management structure**

The Fund Manager is responsible for identifying and controlling risks. The Founder will formulate investment and risks management policies for the Fund and the Fund Manager will abide by the investment and risk management policies as per the Articles of Association.

**Risk measurement and reporting system**

The Fund uses a number of specialist systems and IT resources in processing, managing and storing data. The Fund Manager has a dedicated IT team and a 'Business Continuity Plan' in the event of disaster. However, in the event, systems and IT resources are not available for an extended period, this could affect the performance of the Fund.

The Fund is subject to operational processing in settling deals, collecting dividends and executing corporate actions. In the event, that an operational process was to fail or not fully be carried out, the Fund may suffer a financial loss.

The Fund Manager monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices. The maximum risk resulting from approved financial instrument equals to their fair value.



**8. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Market risk (continued)**

***Interest rate risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund is not exposed to any interest rate risk as all the securities are Equity investments.

***Currency risk***

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is not exposed to any currency risk as all the transactions are carried out in Qatari Riyals and US Dollars. Since QAR is pegged to the USD, so there is no significant foreign exchange risk.

***Equity price risk***

Equity price risk is the risk of unfavorable changes in the fair values of equities as a result of changes in the levels of equity indices and the value of individual shares. The unit holders' net assets price risk exposure arises from the Fund's investments in unit holders' equity securities. As of 31 December 2020, the Fund has equity securities amounting to **QAR 409,220,205** (2019: QAR 366,660,260). A 1% variation in the equity indices would result in increase / (decrease) in the fair values of equity securities and the income statement by **QAR 4,092,202** (2019: QAR 3,666,603).

***Concentration of equity price risk***

The Fund seeks to replicate Index, therefore all securities are placed in the state of Qatar.

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by industrial distribution.

	<b>31 December 2020</b>	31 December 2019
	<b>% of equity securities</b>	% of equity securities
Financials	<b>54%</b>	55%
Industrials	<b>22%</b>	22%
Telecommunications	<b>4%</b>	4%
Real estate	<b>6%</b>	6%
Transportation	<b>7%</b>	6%
Consumer goods and services	<b>7%</b>	7%
	<b>100%</b>	100%

***Liquidity risk***

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its shares earlier than expected.

If the total aggregate redemption requests on any Dealing Day exceed 10% (ten percent) of the total number of Units outstanding on the immediately preceding Valuation Day, the Founder may, in its sole discretion, defer any redemption request in whole or part so that the 10% level is not exceeded. Any deferred redemption requests will have priority over any other subsequent redemption requests and will be affected on the next Dealing Day, subject always to the 10% limit.

The Fund seeks to replicate, before fees and expenses, the performance results of the Index by investing in the Index components according to weights that substantially correspond with those found in Index and complying with its guideline which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements. It is the Fund Manager duty to monitor the Fund's liquidity position on a daily basis.

As at reporting date, the Fund has 0.34% of its net assets invested in cash and cash equivalents.

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**8. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Maturity of financial assets and liabilities**

The following table sets out the maturity profile of the Fund's assets and liabilities. Analysis of financial assets at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity groupings is based on the remaining period at the statement of financial position date to the contractual maturity date or if earlier, the expected date on which the assets will be realized.

**Maturity profile as at 31 December 2020**

	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Non-Cash Items	Total
Assets						
Bank balance	1,385,267	-	-	-	-	1,385,267
Financial assets at fair value through profit or loss	409,220,205					409,220,205
<b>Total assets</b>	<b>410,605,472</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>410,605,472</b>

	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Non-Cash Items	Total
Liabilities						
Other liabilities	1,165,658	-	-	-	-	1,165,658
Total liabilities	1,165,658	-	-	-	-	1,165,658
<b>Maturity gap</b>	<b>409,439,814</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409,439,814</b>

**Maturity profile as at 31 December 2019**

	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Non-Cash Items	Total
Assets						
Bank balance	1,240,173	-	-	-	-	1,240,173
Financial assets at fair value through profit or loss	366,660,260					366,660,260
<b>Total assets</b>	<b>367,900,433</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>367,900,433</b>

Liabilities						
Other liabilities	1,005,227	-	-	-	-	1,005,227
Total liabilities	1,005,227	-	-	-	-	1,005,227
<b>Maturity gap</b>	<b>366,895,206</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366,895,206</b>

**Fair value of financial assets and liabilities**

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. Consequently, differences can arise between book value and the fair value estimates. Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

**8. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Fair value of financial assets and liabilities (continued)**

Financial assets and liabilities are carried at fair value through profit or loss and hence there is no difference between carrying value and fair value.

The fair value of other receivables, payables for investment transactions and other payables and accrued expenses, which are predominantly re-priced, short term in tenure and issued at market rates, are considered to reasonably approximate their book value.

**Fair value hierarchy**

The Fund uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss held by the fund are valued as per the Level 1 valuation method.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	<b>31 December 2020</b>			
	<b>Fair value through profit or loss</b>	<b>Other amortised cost</b>	<b>Total Carrying amount</b>	<b>Fair value</b>
<b>Assets</b>				
Bank balance	-	1,385,267	1,385,267	1,385,267
Financial assets at fair value through profit or loss	409,220,205	-	409,220,205	409,220,205
	<b>409,220,205</b>	<b>1,385,267</b>	<b>410,605,472</b>	<b>410,605,472</b>
<b>Liabilities</b>				
Other liabilities	-	1,165,658	1,165,658	1,165,658
	<b>-</b>	<b>1,165,658</b>	<b>1,165,658</b>	<b>1,165,658</b>

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**8. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Fair value hierarchy (continued)**

	31 December 2019			Fair value
	Fair value through profit or loss	Other amortised cost	Total Carrying amount	
<b>Assets</b>				
Bank balance	-	1,240,173	1,240,173	1,240,173
Financial assets at fair value through profit or loss	366,660,260	-	366,660,260	366,660,260
	<u>366,660,260</u>	<u>1,240,173</u>	<u>367,900,433</u>	<u>367,900,433</u>
<b>Liabilities</b>				
Other liabilities	-	1,005,227	1,005,227	1,005,227
	<u>-</u>	<u>1,005,227</u>	<u>1,005,227</u>	<u>1,005,227</u>

**Credit risk**

Credit risk is the risk that 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 bank balances and other assets.

The Fund's policy over credit risk is to minimize the exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's prospectus and by taking collateral.

The Fund's maximum exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

Gross maximum exposures are as follows:

<b>Exposure to credit risk</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>QAR</b>	<b>QAR</b>
<b>Cash and Cash equivalent</b>		
Current account	1,385,267	1,240,173
<b>Total credit risk exposure</b>	<u><b>1,385,267</b></u>	<u><b>1,240,173</b></u>

No financial assets carried at amortized cost were past due or impaired at 31 December 2020.

The Fund has a current account with banks, having acceptable credit rating.

**9. DIVIDEND DISTRIBUTION**

The Fund Committee approved and distributed a total dividend of QAR 0.377 per unit for the year ended 31 Dec 2019 (2018: QAR 0.425 pr unit) as follows:

- On 7 April 2020, the Fund Committee approved a cash dividend of QAR 0.333 per unit, to be distributed to unitholders entitled as on record-date 23 April 2020; and
- 
- On 5 May 2020, the Fund Committee approved a cash dividend of QAR 0.044 per unit, to be distributed to unitholders entitled as on record-date 19 May 2020.

**10. IMPACT OF COVID-19**

The coronavirus (“COVID-19”) pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

The Fund has considered potential impacts of the current economic volatility in determination of the reported amounts of the Fund’s financial and non-financial assets and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.