

Watani USD Bond Fund
(formerly Regional Bond and Sukuk Investment Fund)
(Fund Manager –Watani Investment Company K.S.C.C.)
Kuwait

Independent Auditor’s Review Report
and
Interim Condensed Financial Information (Unaudited)

For the period ended 30 September 2024

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**Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund))
(Fund Manager - Watani Investment Company K.S.C.C.)
Kuwait**

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE FUND MANAGER

Report on Review of Interim Condensed Financial Information

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund) ("the Fund") (Fund Manager - Watani Investment Company K.S.C.C.) as at 30 September 2024 and the related interim condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the related interim condensed statements of changes in equity and cash flows for the nine-month period then ended. The Fund Manager is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed financial information 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". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with the International Accounting Standard 34 – Interim Financial Reporting.

Report on Review of Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the Fund and we have not become aware of any contraventions of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, or of the Articles of Association of the Fund during the nine months period ended 30 September 2024, that might have had a material effect on the business of the Fund or on its financial position.



**Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche - Al-Wazzan & Co.**

Kuwait
17 October 2024

Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund)
(Fund Manager - Watani Investment Company K.S.C.C.)
Kuwait

Interim Condensed Statement of Financial Position as at 30 September 2024 (Unaudited)

| | Note | US Dollar | | |
|---|------|-------------------------------------|----------------------------------|-------------------------------------|
| | | 30 September 2024 (Unaudited) | 31 December 2023 (Audited) | 30 September 2023 (Unaudited) |
| ASSETS | | | | |
| Cash and cash equivalents | 3 | 1,394,764 | 1,027,107 | 1,284,868 |
| Investments at fair value through profit or loss | 4 | 56,004,922 | 46,588,253 | 44,815,980 |
| Due from brokers | 5 | 260,098 | - | - |
| Other receivables | 6 | 1,097 | - | - |
| Total assets | | 57,660,881 | 47,615,360 | 46,100,848 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Other payables | 7 | 823,140 | 916,701 | 577,043 |
| Due to broker | 5 | 791,735 | - | 669,272 |
| Total liabilities | | 1,614,875 | 916,701 | 1,246,315 |
| EQUITY | | | | |
| Share capital | 8 | 49,228,000 | 41,448,520 | 41,605,110 |
| Equalization reserve | 8 | 7,823,790 | 6,886,247 | 6,883,647 |
| Accumulated losses | | (1,005,784) | (1,636,208) | (3,634,224) |
| Total equity | | 56,046,006 | 46,698,559 | 44,854,533 |
| Total liabilities and equity | | 57,660,881 | 47,615,360 | 46,100,848 |
| Net asset value per redeemable investment unit | 9 | 11.3850 | 11.2566 | 10.7810 |

The accompanying notes on pages 6 to 9 form an integral part of this interim condensed financial information.



 Watani Investment Company
 In its capacity as the Fund Manager



 Kuwait Clearing Company
 In its capacity as the Investment Controller

Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund)
(Fund Manager - Watani Investment Company K.S.C.C.)
Kuwait

Interim Condensed Statement of Profit or Loss and other Comprehensive Income
Nine months ended 30 September 2024 (Unaudited)

| | | US Dollar | | | |
|---|--|------------------------------------|------------------|-----------------------------------|------------------|
| | | Three months ended 30 September | | Nine months ended 30 September | |
| | | 2024 | 2023 | 2024 | 2023 |
| Note | | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenues | | | | | |
| Investments at fair value through profit or loss: | | | | | |
| | Unrealized gain/(loss) | 1,736,864 | (1,350,763) | 1,492,541 | (1,192,813) |
| | Realized gain/(loss) | 80,143 | 41,125 | (83,131) | 115,296 |
| | Foreign exchange (loss)/gain | (25) | 20 | (36) | 79 |
| | Interest income | 663,383 | 521,796 | 1,762,515 | 1,615,975 |
| | Other income | 5 | - | 5 | - |
| | | <u>2,480,370</u> | <u>(787,822)</u> | <u>3,171,894</u> | <u>538,537</u> |
| Expenses | | | | | |
| | Management fees | 10 | (101,357) | (87,282) | (287,027) |
| | Custodian fees | 10 | (8,281) | (7,273) | (23,686) |
| | Investment controller fees | | (4,022) | (4,033) | (11,978) |
| | Other operating expenses | 11 | (5,787) | (22,875) | (21,412) |
| | | | <u>(119,447)</u> | <u>(121,463)</u> | <u>(344,103)</u> |
| | Profit for the period | 2,360,923 | (909,285) | 2,827,791 | 202,611 |
| | Other comprehensive income | - | - | - | - |
| | Total comprehensive income for the period | <u>2,360,923</u> | <u>(909,285)</u> | <u>2,827,791</u> | <u>202,611</u> |

The accompanying notes on pages 6 to 9 form an integral part of this interim condensed financial information.

Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund)
(Fund Manager - Watani Investment Company K.S.C.C)
Kuwait

Interim Condensed Statement of Changes in Equity – Nine months ended 30 September 2024 (Unaudited)

| | US Dollar | | | Total |
|---|-------------------|----------------------|--------------------|-------------------|
| | Share capital | Equalization reserve | Accumulated losses | |
| Balance as at 1 January 2024 | 41,448,620 | 6,886,247 | (1,636,208) | 46,698,659 |
| Subscriptions during the period | 9,069,990 | 1,068,369 | - | 10,138,359 |
| Redemptions during the period | (1,290,610) | (130,826) | - | (1,421,436) |
| Dividend distribution | - | - | (2,197,367) | (2,197,367) |
| Total comprehensive income for the period | - | - | 2,827,791 | 2,827,791 |
| Balance as at 30 September 2024 | 49,228,000 | 7,823,790 | (1,005,784) | 56,046,006 |
| Balance as at 1 January 2023 | 45,090,950 | 7,302,447 | (2,901,835) | 49,491,562 |
| Subscriptions during the period | 901,030 | 98,969 | - | 999,999 |
| Redemptions during the period | (4,386,870) | (517,769) | - | (4,904,639) |
| Dividend distribution | - | - | (935,000) | (935,000) |
| Total comprehensive income for the period | - | - | 202,611 | 202,611 |
| Balance as at 30 September 2023 | 41,605,110 | 6,883,647 | (3,634,224) | 44,854,533 |

The accompanying notes on pages 6 to 9 form an integral part of this interim condensed financial information.

Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund)
(Fund Manager - Watani Investment Company K.S.C.C.)
Kuwait

Interim Condensed Statement of Cash Flows – Nine months ended 30 September 2024 (Unaudited)

| | | US Dollar | |
|---|------|-----------------------------------|---------------------|
| | | Nine months ended 30 September | |
| | Note | 2024 (Unaudited) | 2023 (Unaudited) |
| Operating activities | | | |
| Profit for the period | | 2,827,791 | 202,611 |
| Adjustment for: | | | |
| Unrealized (gain)/loss - Investments at fair value through profit or loss | | (1,492,541) | 1,192,813 |
| Foreign exchange loss/(gain) | | 36 | (79) |
| Net (increase)/decrease in investments at fair value through profit or loss | | (7,924,128) | 3,473,931 |
| Increase in due from brokers | | (260,098) | - |
| Increase in other receivables | | (1,097) | - |
| (Decrease)/ increase in other payables | | (797,611) | 663,029 |
| Increase in due to broker | | 791,735 | - |
| Net cash (used in)/from operating activities | | <u>(6,855,913)</u> | <u>5,532,305</u> |
| Financing activities | | | |
| Cash received on subscription of redeemable investment units | | 10,138,371 | 999,999 |
| Cash paid on redemption of redeemable investment units | | (1,421,436) | (4,431,542) |
| Dividend distribution paid | | (1,493,365) | (935,000) |
| Net cash from/(used in) financing activities | | <u>7,223,570</u> | <u>(4,366,543)</u> |
| Net Increase in cash and cash equivalents | | 367,657 | 1,165,762 |
| Cash and cash equivalents | | | |
| at beginning of period | | <u>1,027,107</u> | <u>119,106</u> |
| at end of period | 3 | <u>1,394,764</u> | <u>1,284,868</u> |

The accompanying notes on pages 6 to 9 form an integral part of this interim condensed financial information.

Notes to the Interim Condensed Financial Information – For the nine months ended 30 September 2024 (Unaudited)

1. Incorporation and activities

Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund) (“the Fund”) is an open ended debt instrument investment fund, incorporated on 10 July 2017. The Fund is regulated by Capital Market Authority (CMA) established under Law No. 7 of 2010.

The Fund Manager is Watani Investment Company K.S.C.C., the Fund’s Custodian is the National Bank of Kuwait S.A.K.P. and the Fund’s Investment Controller is Kuwait Clearing Company K.S.C.C. The Fund Manager’s registered office is located at P.O. Box 4950, Safat 13050, in the State of Kuwait.

The term of the Fund was fifteen years from the date of incorporation and has been approved by CMA.

The Fund has no employees.

The Fund’s objective is to achieve long term capital appreciation with a low level of risk by investing primarily in the Gulf and regional debt instruments in US Dollar or local currencies pegged to US Dollar. The Fund is also permitted to invest in money market funds, other debt instruments funds (which are licensed by CMA or by Foreign Regulatory Bodies in accordance with the regulatory standards and conditions, which are at least similar to those applied by CMA) and deposits.

Fund’s functional currency is the US Dollar.

During the year, the name of the Fund was changed from Regional Bond and Sukuk Investment Fund to Watani USD Bond Fund. The change of name of the Fund was approved by CMA on 23 June 2024. Accordingly, the Articles of Association of the Fund was amended on 23 June 2024 to incorporate the same.

This interim condensed financial information has been approved for issue by the Fund Manager and the Fund Custodian on 17 October 2024.

2. Basis of preparation and summary of material accounting policy information

Basis of preparation

The interim financial information of the fund has been prepared in accordance with International Accounting Standard (“IAS”) 34: Interim Financial Reporting. The accounting policies used in the preparation of this interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the period ended 31 December 2023.

The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Fund’s annual financial statements for the period ended 31 December 2023. Certain amendments and interpretations apply for the first time in 2024, but do not have an impact on the interim condensed financial information of the Fund. Further, results for the nine months period ended 30 September 2024, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

The Fund has not early adopted any standards, interpretations and amendments that had been issued but is not yet effective.

3. Cash and cash equivalents

Cash and cash equivalents represent balances with the Fund custodian.

4. Investments at fair value through profit or loss

Investments at fair value through profit or loss represents investments in Gulf and other countries debt instruments denominated in US Dollar. These are fair valued based on market quotes from brokers.

Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund)
(Fund manager - Watani Investment Company K.S.C.C.)
Kuwait

Notes to the Interim Condensed Financial Information – For the nine months ended 30 September 2024 (Unaudited)

5. Due from/to brokers

Due from/to Brokers represents amount to be received/paid to brokers on sale/purchase of investment

6. Other receivables

Other receivables represent interest accrued from fixed deposits during the period.

7. Other payables

| | US Dollar | | |
|--|--|---|--|
| | 30 September 2024 (Unaudited) | 31 December 2023 (Audited) | 30 September 2023 (Unaudited) |
| Accrued management fees (refer note 9) | 101,356 | 84,716 | 87,283 |
| Accrued custodian fees (refer note 9) | 8,281 | 7,060 | 7,274 |
| Accrued audit fee expense | 7,354 | 9,752 | 7,258 |
| Other accrued expenses | 824 | 814 | 817 |
| Dividend payable | 704,002 | - | - |
| Redemption Payable | - | - | 473,097 |
| Subscriptions received in advance | 12 | 813,000 | - |
| Accrued investment controller fees | 1,311 | 1,359 | 1,314 |
| | 823,140 | 916,701 | 577,043 |

Investment controller is paid an annual fee of US Dollar 16,000 determined on Fund's valuation day and paid on a monthly basis.

8. Equity

Share capital

The Fund's capital ranges from 1,800,000 units to 50,000,000 units with par value of USD 10 each. These units are issued and redeemed at the unit holders' option based on the value of the Fund's net assets at the time of issue or redemption which is done on a weekly basis. As at 30 September 2024, the Fund's outstanding issued units at nominal value were 4,922,800 units (31 December 2023: 4,144,862 units, 30 September 2023: 4,160,511 units).

Equalization reserve

Shortfalls/surpluses of par value on redemptions/subscriptions are taken to the equalization reserve.

9. Net asset value per redeemable unit

| | 30 September 2024 (Unaudited) | 31 December 2023 (Audited) | 30 September 2023 (Unaudited) |
|--|--|---|--|
| Net assets attributable to redeemable unit holders (US Dollar) | 56,046,006 | 46,698,659 | 44,854,533 |
| Number of redeemable units | 4,922,800 | 4,144,862 | 4,160,511 |
| Net asset value per redeemable investment unit (US Dollar) | 11.3850 | 11.2666 | 10.7810 |

Notes to the Interim Condensed Financial Information – For the nine months ended 30 September 2024 (Unaudited)

10. Related parties

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

The Fund Manager is paid an annual fee of 0.75% of the Fund’s net assets value calculated weekly and paid quarterly. In all events, the total of the fees paid for each year shall not exceed 5% per annum of the Fund’s net asset value.

The Fund Manager is required to hold a minimum of Kuwait Dinar 100,000 of the Fund’s subscribed units subject to a maximum of 75%. As at 30 September 2024, Fund Manager holds 100,000 redeemable units representing 2.3% of outstanding redeemable units (Kuwait Dinar equivalents of 347,242) (31 December 2023, Fund Manager holds 100,000 redeemable units representing 2.41% of outstanding redeemable units (Kuwait Dinar equivalents of 346,167), 30 September 2023, Fund Manager holds 100,000 redeemable units representing 2.40% of outstanding redeemable units (Kuwait Dinar equivalents of 333,281).

Fund management fee is disclosed in the statement of profit or loss and other comprehensive income and the related accruals are disclosed in note 5.

The Fund Custodian is paid an annual fees determined as a percentage rate of the Fund’s net asset value, according to the following tranches;

- 0.0625% of the Fund’s net asset value until US Dollar 50 million, with a minimum of US Dollar 11,250.
- 0.045% of the Fund’s net asset value for any amount above US Dollar 50 million and up to US Dollar 250 million, with a minimum of US Dollar 25,000.
- 0.035% of the Fund’s net asset value for any amount above US Dollar 250 million, with a minimum of US Dollar 90,000

The Fund Custodian is also entitled for a transfer fee of US Dollar 10. The custodian fee is calculated weekly and paid quarterly.

Bank balance with the Fund custodian amounts to US Dollar 1,394,764 (31 December 2023: US Dollar 1,027,107; 30 September 2023: US Dollar 1,284,868).

11. Other operating expenses

| | US Dollar | | | |
|----------------|--------------------|---------------|-------------------|---------------|
| | Three months ended | | Nine months ended | |
| | 30 September | | 30 September | |
| | 2024 | 2023 | 2024 | 2023 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Audit fees | 2,467 | 2,456 | 7,320 | 7,308 |
| Registrar fees | 823 | 819 | 2,440 | 2,436 |
| Bank charges | 794 | 220 | 1,918 | 1,373 |
| Other expenses | 1,703 | 19,380 | 9,734 | 22,111 |
| | <u>5,787</u> | <u>22,875</u> | <u>21,412</u> | <u>33,228</u> |

Notes to the Interim Condensed Financial Information – For the nine months ended 30 September 2024 (Unaudited)

12. Fair value of financial instruments

The Fund's assets and liabilities include the following financial instruments acquired in the normal course of business.

Cash and cash equivalents

Investments at fair value through profit or loss

Due from brokers

Other payables

Due to broker

Fair value

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Investments at fair value through profit or loss are valued based on market quotes from brokers and therefore are classified under level 1 category. Cash and cash equivalents, other receivables and other payables are carried at amortised cost and are classified under level 3 category determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties and is used for disclosure purpose only.

13. Segment information

The Fund is organised into one main business segment, which is to achieve long term capital appreciation by investing in the Gulf and other countries debt instruments denominated in US Dollar. 55% of the fund's investments as at 30 September 2024 (68.2% as at 31 December 2023, 63% as at 30 September 2023) are in GCC countries and balance in other countries. The Fund maintains all its assets and liabilities inside Kuwait. This segment is based on reports reviewed by the Fund Manager.

14. Taxation

The Fund is not subject to taxation inside Kuwait.