



SICO Capital GCC Dividend Growth Fund
Annual Report 2021

a. Investment Fund Information

1) Name of investment fund.

SICO Capital GCC Dividend Growth Fund

2) Investment objectives, policies and polices.

The Fund aims to provide dividends and long-term capital appreciation by investing in a portfolio comprising of Shariah-compliant dividend growth stocks, whose dividends have grown over the last two years as a minimum, and are listed in the GCC region.

3) Distribution of income and gain policy

Unit holders shall be entitled to the net returns (Profits) earned by the Fund after deducting all of the Fund's obligations, including fees, expenses and taxes at the end of each year. The Investment Committee of the Fund may declare dividends in respect of any financial period, to be paid to the unit holders through the following methods:

- Distribution of Dividends earned by the Fund from investment in shares.
- Realized profits earned from investment in money markets.
- Realized profits earned from the purchase and sale of securities.

4) A statement that the fund's Reports are available upon request free of charge

The Fund's reports are available upon request free of charge.

5) Description of the fund's benchmark and the service provider's website (if any)

The Fund's benchmark is the S&P GCC Shariah Composite Index and is published by S&P Global on a daily basis.

b. Fund Performance

1) A comparative table covering the last (3) financial years (or since inception), highlighting:

	2021	2020	2019
a) The fund net assets value at the end of each financial year.	93,591,123	71,005,769	52,851,061
b) The fund net assets value per unit at the end of each financial year.	14.5564	11.0758	9.9972
c) Highest and lowest net asset value per unit for each financial year.	14.93150	11.1453	10.0000
c) Lowest net asset value per unit for each financial year.	10.98930	7.6715	9.2962
d) The number of units in issue at the end of each financial year.	6,429,529.862768	6,410,918	5,286,573.8576
e) Income distribution per unit (where applicable).	0.20	0.0919	0
f) Expense ratio.	1.86	1.77	2.07
g) Percentage of borrowed assets from the total asset value, the period of their exposure period and due date (if any).	N/A	N/A	N/A
h) Results of comparing the performance of the benchmark of the fund with performance of the fund.	3.60	6.58	

2) A performance record that covers the following:

a) The total return for 1 year, 3 years and 5 years (and since inception (where applicable)).

Total return	1 year	3 years	5 years	since inception
	35.74	47.57	N/A	51.80

b) The Annual total return for each of the last 10 financial years (or since inception).

2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	since inception
35.74	11.86	-0.03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	51.80

- c) A table showing actual fees and fund expenses paid by the investment fund during the year. The Total Expense Ratio should also be clearly disclosed. If there are any circumstances in which a fund manager may elect to waive or rebate any fees, this must also be disclosed.

<u>Expenses and fees as of December 31, 2021</u>	
Management fee	1,459,249
Operator fee	50,757
Custody fee	86,922
Audit Charges	25,000
Publication Tadawul fee	5,000
Board of director fee	20,000
shariah board fee	15,000
regulatory fee	7,500
other expenses	75,356

- d) The bases for calculating the performance data and any assumption made must be consistently applied.

The performance data is calculated on NAV/unit basis on each valuation day

- 3) If there were material changes that occurred during the period and that affected the performance of the fund, these changes must be clearly disclosed.

There were no material changes during the period that affected the fund's performance

- 4) Disclosure of the exercise of annual voting rights and it must include the issuer's name and the date of the General Assembly and the subject of the vote and the decision to vote (agree / disagree / abstain from voting).

COMPANY Name	DATE OF AGM	Voting Items	Voting decision
Yanbu National Petrochemical Co.	30/03/2021	Voting on External Auditor Report for the fiscal year ended on 31 December 2020.	Yes
		Voting on the Financial Statements for the fiscal year ended on 31 December 2020.	Yes
		Voting on the Board of Directors Report for the fiscal year ended on 31 December 2020.	Yes
		Voting on the appointment of an External Auditor for the Company from among the candidates nominated based on the recommendation of Audit Committee to review and audit financial statements of the first quarter, second quarter, third quarter, fourth quarter and the annual of the fiscal year 2021, and determine the fees.	Abstain
		Voting on the discharge of the Board of Directors members for the fiscal year ended 31 December 2020.	Yes
		Voting on disbursement of SAR (1,400,000) as remuneration to the Board members for the fiscal year ended on 31 December 2020.	Yes
		Voting on the resolution of the Board of Directors regarding the dividends distributed for the first half of 2020, at an amount of (SAR 703,125,000) at SAR 1.25 per share, which represents 12.5% of the par value	Yes
		Voting on the recommendation of the Board of Directors to distribute cash dividends to shareholders for the second half of the year 2020 with total amount (SAR 703,125,000) at SAR 1.25 per share, which represents 12.5% of par value. Eligibility for the second half dividends of the year will be to the shareholders registered in the Company's share registry at the Depository Center at the end of the second trading day following Ordinary General Meeting date, the date of the distribution will be announced later.	Yes
		Voting on authorizing the Board of Directors to distribute interim dividends, semi-annual or quarterly for the fiscal year 2021.	Yes
Advanced Petrochemical Co.	30/03/2021	To vote on the Board of Directors Report for the year ended 31-12-2020.	Yes
		To vote on the Company consolidated financial statements for the year ended 31-12-2020.	Yes
		To vote on the external auditor report for the year ended 31-12-2020.	Yes

		To vote on appointing an auditor for the company among those nominees based on the recommendation of the Audit committee to review and audit the first, second, third, annual financial statements of fiscal year 2021 and first quarter of 2022, and determine their remuneration.	Abstain
		To vote on the recommendation of the Board of Directors of distribution of cash dividend to shareholders for the fourth quarter of 2020 by Saudi Riyals 140.7 million representing 6.5% of the share capital and the dividend per share will be (SAR 0.65). The eligibility for the dividend shall be for the shareholders owning shares at the end of trading day on the day of 9th Extraordinary General Assembly Meeting and registered in the register of the Securities Depository Center at the end of the 2nd trading day following the eligibility date, the distribution date will be announced later.	Yes
		To vote on authorizing the Board of Directors to distribute interim cash dividends to the shareholders on biannual or quarterly basis for the financial year 2021.	Yes
		To vote on Discharge of the members of the Board of Directors for the year ended 31-12-2020.	
		To vote on delegating the board of directors the vested powers of the general assembly meeting as per article (71) of the Companies Law for one year from the date of the approval by the general assembly meeting or the end of the delegated Board of Directors' term, which comes first. Such delegation shall be in accordance with the requirements stipulated in the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.	Yes
		To vote on the recommendation of the Board of Directors to discontinue setting aside (10%) of the net profits to the statutory reserve, as it has reached (30%) percent of the Company's capital.	Yes
		To vote on the recommendation of the Board of Directors to set aside (10%) of the net profits to the consensual reserve if item number (9) is approved.	Yes
		To vote on the amendment of article (2) of the Company's By-Laws concerning the Company Name. (attached)	Yes
		To vote on the amendment of article (3) of the Company's By-Laws concerning the Company Purposes. (attached)	Yes
		To vote on the amendment of article (4) of the Company's By-Laws concerning the Participation in and Ownership of Companies. (attached)	Yes
		To vote on the amendment of article (22) of the Company's By-Laws concerning the Board Meetings. (attached)	Yes
Najran Cement Co.	31/03/2021	Voting on the Board of Directors' report for the fiscal year ended 31 December 2020	Yes

		Voting on the Auditor's report for the fiscal year ended 31 December 2020	
		Voting on the financial statements for the fiscal year ended 31 December 2020	Yes
		Voting on absolving the Board members from liabilities for their activities pertain to management of the Company for the fiscal year ended 31 December 2020.	Yes
		Voting on the appointment and determining fees of the external auditor for the Company from among the candidates on recommendation of the Audit Committee to examine, review and audit the Company's financial statements for the second, third and annual of fiscal year 2021G and first quarter of fiscal year 2022.	Abstain
		Voting on the Board of Directors 'recommendation to distribute cash dividends for the second half of 2020 at the rate of 0.75 riyal per share, which represents 7.5% of the par value of the share with a total amount of 127.5 million riyals, provided the eligibility for dividend will be to Shareholders who own the shares on the day of Company's general assembly and registered in the company's shareholders register at Securities Depository Center by the end of the second trading day following the day of general assembly, thus the total dividends distributed and proposed to be distributed for the year 2020 is 1.5 riyals per share representing 15% of the nominal value of the share with a total amount of 255 million riyals, the date of dividend distribution will be announced later (attached).	Yes
		Voting on the disbursement of an amount of SR 2,900,000 (Saudi Riyals two million nine hundred thousand only) as remuneration for the members of the Board of Directors at the rate of SR 300,000 (Saudi Riyals three hundred thousand only) for each member in addition to an additional remuneration of SR 200,000 (Saudi riyals two hundred thousand only) to the Chairman of the Board for the fiscal year ended on 31/12/2020 G.	Yes
		Voting on the business and contracts that will be concluded between the Company and AMAK Mining Company in which the Chairman of the Board of Directors, Eng. Mohammed Aballala and a member of the Board of Directors, Engr. Ayman Shibl have a direct interest. These businesses and contracts are for sale of 5,000 tons bulk cement worth SAR 1,200,000 as per customer's need with same conditions and prices that Company follows with its other customers (attached).	Yes
		Voting on the business and contracts that will be concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd, in which the member of the Board of Directors Mr. Ali Hussein Bin Berman Al-Yami has direct interest. These businesses and contracts are for sale of 30,000 tons bulk cement worth SAR 7,200,000 as per customer need with same conditions and prices that Company follows with its other customers (attached).	Yes

		Voting the business and contracts concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd. in which a member of the Board of Directors, Mr. Ali Hussein Bin Berman Al-Yami has a direct interest. These businesses and contracts were for sale of bulk cement during 2020 amounted to 740,000 Riyals according to the prevailing commercial conditions.	Yes
		Voting on delegation of powers to the Board of Directors as stipulated in Paragraph (1) of Article 71 of the Companies Law, for a period of one year from the date of approval of the General Assembly or until the end of the session of the delegated Board of Directors, whichever is earlier, in accordance with the regulatory rules and procedures issued pursuant to the Companies Law relating to listed Joint Stock Companies	Yes
		Voting on delegation of powers to the Board of Directors as stipulated in Paragraph (1) of Article 71 of the Companies Law, for a period of one year from the date of approval of the General Assembly or until the end of the session of the delegated Board of Directors, whichever is earlier, in accordance with the regulatory rules and procedures issued pursuant to the Companies Law relating to listed Joint Stock Companies	Yes

5) The fund's board annual report including, but not limited to, the following:

e) Names of Fund Board members, and indicating membership type.

- Sultan Nugali- non-independent member and Chairman of the Board of Directors
- Ahmed Bishri- non-independent member
- Abdulrahman Alshehri – independent member
- Maha Alsuhait - independent member

f) A brief about of the fund board members' qualifications.

Sultan Nugali

Mr. Sultan bin Abdullatif Nugali is the CEO of SICO Capital Company. He has more than 20 years of extensive investment and banking experience in the financial markets locally and globally. He previously held a number of leadership positions, including Executive Vice President and Head of Asset Management at Itqan Capital and before that, he was the Head of Asset Management at Albilad Investment Company and Head of Fixed Income at Saudi Fransi Capital. He was also part of the founding team of HSBC Saudi Arabia in 2006. He holds a Master's degree in Finance from King Saud University.

Ahmed Bishri

Ahmed Bishri possesses over 20 years of capital market experience and has been the Head of Asset Management since 2018. Ahmed's capital market experience spans Product Development & Structuring, Finance & Control and Risk & Compliance. He has extensive exposure in Investment Banking with regulated institutions such as the SHUAA Group and Rasmala Investment Bank. Ahmed was part of the founder staff of SICO Capital in 2009 that established the Company's Riyadh based operations. He is a Chartered Management Accountant and possesses several regulatory licenses and professional certifications.

Abdulrahman Alshehri

Mr. Abdulrahman Al-Shehri holds a Bachelor's degree in Applied Medical Sciences majoring in Biomedical Technology from King Saud University in Riyadh. After completing his internship year at King Khalid University Hospital in 2004, Mr. Abdulrahman worked as a service engineer and then sales account manager at Drager Arabia Ltd. until 2010, which is the world's leading company in the fields of medical technology and safety. He was appointed as the Director of Key Accounts and Deputy National Director of Sales in the Ministry of Health in 2013 until he held the position of National Sales Director at Drager Arabia Ltd. from 2014 until now.

Maha Alsuhait

Ms. Maha Al-Nahit holds an Executive Education Certificate for Strategic Tools from Hult Business School, and an accredited Executive Education Leadership Certificate from Harvard University, in addition to her participation in many strategic, leadership and government workshops, courses and conferences. In 2012, Mrs. Maha decided to establish her own company, which she called "Athar wa Namaa". The company specializes in social investment development programs targeting different sectors, and is one of the first small and medium-sized enterprises in the region that deals with social consulting. Prior to being the founding partner and CEO of Athar and Nama Consulting, Maha Al-Nahit worked as the governor's advisor for community participation affairs at the General Authority for Small and Medium Enterprises, in addition to her assumption of the position of CEO of the Biban Entrepreneurship Forum, and she also held many local and regional strategic partnerships with research institutions. Reputable and prominent consulting firms. Keen to continue striving to achieve her mission to support the community, Maha is currently working as a special expert for the National Transformation Program 2020 and participates in workshops held in this regard.

g) Description of the roles and responsibilities of the Fund Board.

- approving material contracts, decisions and reports involving the public fund, including, but not limited to, contracts for the provision of fund management services, contracts for the provision of custody services but excluding contracts entered into pursuant to investment decisions regarding underlying investments made or to be made by the fund;
- Approve a written policy in regards to the voting rights related to the public fund assets.
- overseeing and, where appropriate, approving or ratifying any conflicts of interest the fund manager has identified;
- meeting at least twice annually with the fund manager's compliance committee or its compliance officer to review the fund manager's compliance with all applicable rules, laws and regulations, including (without limitation) the requirements of these Regulations;
- Approving all changes stipulated in Articles (62) and (63) of these Regulations before the fund manager obtains the approval or notification of the unitholders and the Authority (as applicable);
- confirming the completeness and accuracy (complete, clear, accurate, and not misleading), and compliance with these Regulations, of the Terms and Conditions and of any other document, contractual or otherwise, that includes disclosures relating to the public fund and/or the fund manager and its conduct of the public fund;
- ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with these Regulations, the Fund's Terms and Conditions;
- Assessing the mechanism of the fund manager's handling of the risks related to the fund's assets in accordance with the fund manager's policies and procedures that detect the fund's risks and how to treat such risks.
- Taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the fund's board of director.

h) Details on the remuneration of fund board members.

SR 5,000 per meeting per independent member up to a maximum of SR10,000 per annum for each independent member calculated daily and deducted after attending the meeting. The total remuneration for the independent members shall not exceed SR30,000 per annum.

- i) A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund.

The fund manager acknowledges that there is no conflict between the interests of the members of the board of directors and the interests of the fund.

- j) A statement showing all the funds boards that the relevant board member is participating in.

Name	Fund	Fund Manager	Position
Sultan Nugali	SICO Capital Money Market Fund	SICO Capital	Chairman
	SICO Saudi REIT	SICO Capital	Chairman
	Riyadh Real Estate Fund	SICO Capital	Chairman
	AlQasr Real Estate Fund	SICO Capital	Chairman
Ahmed Bishri	SICO Capital Money Market Fund	SICO Capital	Board member
	SICO Saudi REIT	SICO Capital	Board member
	Riyadh Real Estate Fund	SICO Capital	Board member
	AlQasr Real Estate Fund	SICO Capital	Board member
Maha Alnuhait	SICO Capital GCC Dividend Growth Fund	SICO Capital	Board member
Abdulrahman Alshehri	SICO Capital Money Market Fund	SICO Capital	Board member

- k) Topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objectives.

The Fund held two Board meetings during the year 2021 and they were held on July 29, 2021 and December 23, 2021. The following is a summary of the main points discussed during the two meetings:

- Discussing the fund's performance and investment strategy
- Certification of the Fund's service providers
- Disclosure of any potential inconsistencies in the fund
- Disclosure and approval of investment from related parties
- Review compliance reports and discussing them with the compliance officer

c. Fund Manager

1) Name and address of the fund manager.

SICO Capital Company
King Fahd Road - Tamkeen Tower – 11th Floor
P.O.Box 64666 Riyadh 11546 Kingdom of Saudi Arabia
Tel: +966-279-11-9546 Fax: +966-11-279-9515
Website: www.sicocapital.com
Email: info@sicocapital.com

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

N/A

3) A review of the investment activities during the period.

Global equities moved higher during 2021, with the MSCI World +20.1 %. US equities outperformed the rest of the markets with S&P Index up by 26.9%, while MSCI emerging markets came under pressure with decline of -4.6%. The markets witnessed significant volatility during the year with multiple drivers. While we saw a continuation of the global economic rebound during the year supply chain constraints, inflationary pressures and labor shortages emerged as newer challenges. Pressure on supply chains increased as the spread of Covid-19 disrupted transport and manufacturing, especially in countries where the vaccination roll-out is slow. Inflation readings surprised on the upside and has prompted the Global Central Banks to send a more hawkish message. US Fed indicated 2 rate hikes during 2022 and few more in 2023 with accelerated tapering. This has initially spooked the markets, although witnessed strong recovery as the economic momentum masked the worries over rate hikes.

Oil prices showed strong rally during the year underpinned by the bright outlook for fuel demand growth on better economic activity. Also, the crude inventories in the U.S. declined at the fastest rate in decades with supply discipline from shale producers and OPEC+ supporting the prices. During the year Crude price was up +50%.

All the equity markets in the GCC gained during the year with an all indices reporting double digit gains. The markets performance in 2021 was positive with Abu Dhabi (+68.2%), Saudi (+29.8%), Dubai (28.2%) and Kuwait (+27%) leading the way. Oman market performance was good during the year (12.9%) while Bahrain (20%) closed higher for the year. Qatar showed a strong rebound during second half and closed higher (+11.4%). Total Value traded across the regional markets

reached USD 790 bn in 2021 USD 660 bn traded in 2020 representing an increase of 19.7%.

Underpinned by capital market liquidity and supportive government policies, IPO activity in the GCC has been strong in 2021. Moreover the positive equity market performance across the region offered a favorable backdrop for IPO candidates looking to list their shares which drove the market and increased its depth. Number of IPO's during the year reached 20 companies and total value raised amounted USD 7.52 bn.

We are positive on the outlook for the GCC markets for 2022 given the continued recovery in oil prices and economic diversification efforts. The positive trend in the oil expected to benefit the Government finances thus improving the overall demand outlook the higher participation by the private sector as indicated in the Government plans also expected to create opportunities for the corporates. This along with specific drivers such as FIFA 2022 and EXPO 2021 expected to benefit the regional markets during 2022. Overall, the portfolio remains well-positioned to benefit from key themes in the region for the year ahead.

4) A report of investment fund's performance during the period.

The fund achieved a return of 35.74% for the year ending 2021, compared to 32.14% of the benchmark.

5) Details of any material changes to the Fund's Terms and Conditions (for a public fund) or fund documents (for private fund) made during the period.

During the year 2021, the fund manager made changes to the terms and conditions of the fund, which are as follows:

- On July 01, 2021, there was a change in the membership of the Board of Directors of the SICO Capital GCC Dividend Growth Fund for due to the resignation of the Chairman of the Board of Directors of the Fund, Mr. Ahmed bin Abdullah Al Busaidi (non-independent member).
- On August 26, 2021, there was a change in the membership of the Board of Directors of the SICO Capital GCC Dividend Growth Fund due to the appointment of the Chairman of the Board of Directors of the Fund, Mr. Sultan bin Abdullatif bin Abdullah Nugali (non-independent member).
- On November 18, 2021, non-basic changes were announced in the fund, namely changing the name of the fund from Muscat Capital GCC Dividend Growth Fund to SICO Capital GCC Dividend Growth Fund and changing the name of the fund manager from Muscat Capital Company to SICO Capital Company.

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

There were no breaches during the reporting period.

- 7) Where an investment fund invests substantially in other investment funds, a statement must disclose on the proportion of the management fees charged to the fund itself and to funds in which the funds invests.

The management fee is 1.50% of NAV

- 8) A statement on any special commission received by the fund manager during the period, clearly identifying what they are and the manner in which they were utilized (if any).

N/A

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

There were no breaches during the reporting period.

- 10) Period for the management of the person registered as fund manager.

Since inception

- 11) A disclosure of the expense ratio of each underlying fund at end of year and the weighted average expense ratio of all underlying funds that invested in (where applicable).

The expense ratio for the year 2021 was 1.86%

d. Custodian

1) Name and address of custodian.

Riyad Capital Company
6775 Takhassusi Street - Olaya
Riyadh 12331-3712, Kingdom of Saudi Arabia
PO Box 21116 Zip Code: 11475
Tel: +966 11 4865866 / 4865898 Fax: +966 114865859
Website: www.riyadcapital.com
Email: rcss@riyadcapital.com

2) A brief description of its duties and responsibilities.

- The custodian is responsible for his obligations in accordance with the provisions of the investment funds regulations, whether he performs his responsibilities directly or assigns them to a third party under the provisions of the investment funds regulations and the regulations of financial market institutions.
- The custodian is responsible towards the fund manager and unit holders for the fund's losses resulting from its fraud, negligence, misconduct or willful negligence.
- The custodian is responsible for preserving and protecting the assets of the fund for the benefit of the unit holders, and is also responsible for taking all necessary administrative procedures in relation to the preservation of the fund's assets.

e. Fund Operator

1) Name and address of fund operator.

SICO Capital Company
King Fahd Road - Tamkeen Tower – 11th Floor
P.O.Box 64666 Riyadh 11546 Kingdom of Saudi Arabia
Tel: +966-279-11-9546 Fax: +966-11-279-9515
Website: www.sicocapital.com
Email: info@sicocapital.com

2) A brief description of its duties and responsibilities.

- The fund operator is responsible for the full and fair evaluation of the fund's assets.
- The fund operator shall compensate all affected unit holders (including previous unit holders) for all valuation or pricing errors without delay.
- The fund operator must prepare and keep a register of unit owners in the Kingdom.

f. Auditor

1) Name and address of auditor.

Al - Bassam & Al - Nimer Allied Accountants PKF
Prince Mohammed bin Abdul Aziz Street (Tahlia), Sulaymaniyah
P.O. Box 28355 Riyadh 11437
Tel: +966 11 5333
Fax: +966 11 206 5444
www.pkf.com/saudi-arabia

g. Financial Statement

**SICO CAPITAL GCC DIVIDEND
GROWTH FUND (Previously known as Muscat
Capital GCC Dividend Growth Fund)
(Open-Ended Fund)
MANAGED BY SICO CAPITAL (Previously known as
Muscat Capital)**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2021 AND INDEPENDENT AUDITOR'S
REPORT**

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as
Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	PAGES
INDEPENDENT AUDITORS' REPORT	1-3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF COMPREHENSIVE INCOME	5
STATEMENT OF CHANGES IN NET ASSETS (EQUITY)	6
STATEMENT OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8-28

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)
Riyadh, Kingdom of Saudi Arabia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)** (“the Fund”), being managed by SICO Capital (previously known as Muscat Capital) (the “Fund Manager”), which comprise of the financial position as at 31 December 2021 and the statements of comprehensive income, statement of changes in net assets (Equity) attributable to the unitholders and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements statement present fairly, in all material respects, the Financial Position of the Fund as at 31 December 2021, and it’s financial performance and it’s cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

Basis for Unqualified Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”) that are endorsed in the Kingdom of Saudi Arabia. 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund’s financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA a and the Fund’s Terms and Condition and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance the Board of Directors, are responsible for overseeing the Fund’s financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)
Riyadh, Kingdom of Saudi Arabia

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 audit 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 that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 audit 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 manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

Riyadh, Kingdom of Saudi Arabia

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

For and on behalf of
Al Bassam & Co.



Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337

Riyadh, Kingdom of Saudi Arabia

28 March 2022
25 Sha'aban 1443

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as
Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Amounts in Saudi Riyals)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	6, 9	3,987,276	1,133,420
Investments carried at fair value through profit or loss (FVTPL)	7	90,098,459	70,194,096
Prepayments and other assets		6,036	16,115
Total assets		94,091,771	71,343,631
LIABILITIES			
Accrued management fee	9	390,959	305,493
Other accrued expenses	9	114,878	32,369
Total liabilities		505,837	337,862
Net assets (equity) attributable to the unitholders		93,585,934	71,005,769
Units in issue (in numbers)	8	6,429,530	6,410,918
Net asset value per unit		14.56	11.08

The accompanying notes 1 to 16 form an integral part of these financial statements.

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Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

	Note	31 December 2021	31 December 2020
Income			
Dividend income		3,118,152	1,904,825
Realized and unrealized gain on FVTPL investments			
- Realized gain on disposal of FVTPL investments		11,646,170	1,511,858
- Unrealized gain on FVTPL investments	7	12,287,577	5,082,210
Foreign currency exchange loss		(73,268)	(142,638)
		<u>26,978,631</u>	<u>8,356,255</u>
Expenses			
Management fees	9	1,459,249	1,003,706
Other expenses	9	285,535	252,914
		<u>1,744,784</u>	<u>1,256,620</u>
Net income for the year		<u>25,233,847</u>	<u>7,099,635</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>25,233,847</u>	<u>7,099,635</u>

The accompanying notes 1 to 16 form an integral part of these financial statements.

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)**

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

STATEMENT OF CHANGES IN NET ASSETS (EQUITY)

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

	31 December 2021	31 December 2020
Balance at the beginning of the year	71,005,769	52,851,009
Total comprehensive income for the year	25,233,847	7,099,635
Changes from unit transactions		
Proceeds from issuance of units	1,064,724	11,759,030
Payment towards units redeemed	(1,000,000)	(116,483)
Net change from unit transactions	64,724	11,642,547
Dividend paid (Note 12)	(2,718,406)	(587,422)
Net assets (equity) attributable to the unitholders at the end of the year	93,585,934	71,005,769

The accompanying notes 1 to 16 form an integral part of these financial statements.

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Amounts in Saudi Riyals)

	Note	31 December 2021	31 December 2020
Cash flows from operating activities:			
Net income for the year		25,233,847	7,099,635
Adjustments for:			
- Unrealized gain on FVTPL investments	7	(12,287,577)	(5,082,210)
		<u>12,946,270</u>	<u>2,017,425</u>
Net changes in operating assets and liabilities:			
Investments carried at FVTPL		(7,616,786)	(14,681,784)
Prepayments and other assets		1,079	(16,115)
Accrued management fee		8,546	103,454
Other accrued expenses		8,510	464
Net cash generated from / (used in) operating activities		<u>5,507,538</u>	<u>(12,572,456)</u>
Cash flows from financing activities:			
Proceeds from issuance of units		1,064,724	11,759,030
Redemption of the units		(1,000,000)	(116,483)
Dividend paid	12	(2,718,406)	(587,422)
Net cash (used in) / generated from financing activities		<u>(2,653,682)</u>	<u>11,055,125</u>
Net change in cash and cash equivalents:		2,853,856	(1,517,331)
Cash and cash equivalents at beginning of the year	6	<u>1,133,420</u>	<u>2,650,751</u>
Cash and cash equivalents at end of the year	6	<u>3,987,276</u>	<u>1,133,420</u>

The accompanying notes 1 to 16 form an integral part of these financial statements.

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

The SICO Capital GCC Dividend Growth Fund (the "Fund") (Previously known as Muscat Capital GCC Dividend Growth Fund) is an open-ended mutual fund established and managed through an agreement between SICO Capital Company (Previously known as Muscat Capital) - a Saudi Closed Joint Stock Company (the "Fund Manager"), a subsidiary owned 72.71% by SICO BSC (c) (a bank registered in Bahrain) and 27.29% by Bank Muscat (SAOG) incorporated in the Sultanate of Oman, and the Fund Investors (the "Unit holders"). On 14 March 2021, SICO BSC (c) (a bank registered in Bahrain) ("SICO") acquired 72.71% of Muscat Capital Company equity from the Bank Muscat SOAG after obtaining the necessary regulatory approvals. Following the issuance of revised commercial registration dated 15 July 2021, the Company's name has been changed from Muscat Capital Company to SICO Capital Company. Furthermore, the new Board of Directors appointed by the shareholders of the Company in the extra-ordinary general meeting held on 14 March 2021 are also approved by CMA on 30 June 2021. On 14 November 2021, the Fund Manager has decided to change the name of the Fund from Muscat Capital GCC Dividend Growth Fund to SICO Capital GCC Dividend Growth Fund. The new terms and conditions of the Fund has been issued on 14 November 2021 mentioning the updated name. The announcement is made on Tadawul on 02 December 2021.

The Fund commenced its operations on 16 Sha'ban 1440H (corresponding to 21 April, 2019).

In dealing with the unit holders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, unit holders are considered to be owners of the assets of the Fund.

The principal investment objective of the Fund is to invest in Sharia-compliant listed equities, IPOs and real estate funds issued and traded in GCC capital markets. The Fund aims to provide dividends and long-term capital appreciation by investing in a portfolio comprising of Shariah-compliant dividend growth stocks, whose dividends have grown over the last two years as a minimum.

Units were offered at a price of SAR 10 per unit, with a minimum initial subscription amount to SAR 1,000.

The following are the basis of fees, charges and other expenses:

Management fees

Payable to the SICO Capital "Fund Manager" equal to 1.5% of the Fund's Net Asset Value ("NAV"), which is calculated on a daily basis. Management fee is payable on quarterly basis.

Custodian fees

Payable by the Fund to the Riyadh Capital Company 'the Custodian', a CMA-licensed Company under license No. 37-07070, at a minimum rate of 0.06% and maximum rate of 0.20% and average rate of 0.13% per annum at Fund's net asset value according to the market in which the securities are held. The fee is calculated daily and paid at the end of each calendar month with a minimum of SR 1,250 per month.

Administrative fees

Payable by the Fund to the Fund Manager equal to 0.06% of the Fund's Net Asset Value ("NAV"), which is calculated on a daily basis and payable on a quarterly basis.

Dealing charges

The Fund shall bear all dealing fees and brokerage commissions incurred for buying and selling of securities.

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as
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(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES (CONTINUED)

Other expenses

The Fund shall be responsible for its other administrative, professional, regulatory and operating expenses which include, but not limited to, Auditors, Sharia Committee, Board Members and annual report fees, subject to a cap of SAR 200,000 per annum. This cap does not include the management, custodian, dealing charges, administrative and any other leverage related fees.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) thereafter amended on 16 Sha’ban 1437H (corresponding to 23 May 2016). The regulation was further amended (the “Amended Regulations”) on 17 Rajab 1442H (corresponding to 1 March 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442H (corresponding to 1 May 2021). Also see (Note 1)

3. SUBSCRIPTION/ REDEMPTION

The Fund is open for dealing before 12:00 pm on Monday and Wednesday (each day a “Dealing Day”). The net asset value of the Fund is determined on each working day's closing prices (each “Valuation Day”). The unit price is calculated by subtracting the liabilities from the total assets value, then dividing the result (NAV) by the number of units outstanding on a valuation day.

4. BASIS OF PREPARATION

4.1 *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

4.2 *Basis of measurement*

These financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit and loss (FVTPL).

4.3 *Significant accounting estimates and judgements*

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Fund’s accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as
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(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

4. BASIS OF PREPARATION (CONTINUED)

4.3 Significant accounting estimates and judgements (continued)

4.3.1 Going concern

The Fund's management has 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 on the Fund's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

4.3.2 Expected credit loss

In the preparation of the financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty due to COVID-19, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

4.4 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). These financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Fund's functional and presentation currency.

4.4.1 Foreign currency transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income / (loss).

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New standards, interpretations and amendments

The accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2020. There are new standards, amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of the Fund.

There are several other amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. In the opinion of the Fund's Board, these will have no significant impact on the financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

5.1.1 New standards, amendments to standards and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

New amendments to standards issued and applied effective January 1, 2021

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IFRS 16	Amendments to IFRS 16 Leasing - Covid-19 Related Rent Concessions	April 1, 2021	This amendment extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification for payments originally due on or before June 30, 2022 (rather than payment due on or before June 30, 2021).

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.1 New standards, interpretations and amendments (continued)

5.1.2 New standards, amendments and revised IFRS issued but not yet effective

The Fund has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts Cost of Fulfilling Contract	January 1, 2022	The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of ‘testing whether an asset is functioning properly’.

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(Open-ended fund)

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.1 New standards, interpretations and amendments (continued)

5.1.2 New standards, amendments and revised IFRS issued but not yet effective (continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

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

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2 Cash and cash equivalents

Cash and cash equivalents consist of bank balances with the financial institutions. Cash and cash equivalents are carried at amortized cost within the statement of financial position.

5.3 Financial Instruments

5.3.1 Measurement methods

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income / (loss). Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost, as described in Note 4.3.2, which results in an accounting loss being recognized in the statement of comprehensive income / (loss) when an asset is newly originated.

5.3.2 Classification and measurement of financial assets

Classification of financial assets

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI are measure at FVTPL.

The Fund classifies its financial assets either as subsequently measured at amortized cost or measured at fair value through profit or loss.

The Fund classifies its financial assets at amortized cost. The classification requirements for debt instruments are described below:

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)**

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

5.3.2 Classification and measurement of financial assets (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective,

Classification and subsequent measurement of debt instruments depend on:

- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 4.3.2. Profit earned from these financial assets is recognized in the statement of comprehensive income / (loss) using the effective profit rate method.

Fair value through other comprehensive income (FVOCI): If debt instrument's is held within a business model whose objective is achieved by collecting SPPP and to selling financial assets then it is measured at FVOCI. A gain or loss on a debt investment measured at FVOCI is recognized in the other comprehensive income in the period in which it arises. Profit earned from these financial assets is recognized in the other comprehensive income using the effective profit rate method.

Fair value through profit or loss (FVTPL): If debt instrument's cash flows do not represent solely SPPP or if it not held within the held to collect or the held to collect and sell business model, or then it is measured at FVTPL. A gain or loss on a debt investment measured at FVTPL is recognized in the statement of comprehensive income / (loss), within "Net gain / (loss) in investments mandatorily measured at FVTPL", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are not held for trading are presented separately from debt investments that are mandatorily measured at fair value through profit or loss, within "Net gain / (loss) in investments designated at FVTPL". Profit earned from these financial assets is recognized in the statement of comprehensive income / (loss) using the effective profit rate method.

Business model: The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is internally evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVTPL.

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

5.3.2 Classification and measurement of financial assets (continued)

Debt instruments (continued)

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

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

Equity instruments

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

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

5.3.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a 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 the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset or
- (b) 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 right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of 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. In that case, the Fund also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognize a financial liability when the obligation under the liability is discharged, cancelled or expired.

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)**

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial Instruments (continued)

5.3.4 Impairment of financial assets

The Fund recognizes loss allowances for ECLs on financial assets measured at amortized cost and debt investments measured at FVOCI.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e., the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. One of the key quantitative indicators used by the Fund is the relative downgrade of the internal rating of the borrower and thereby the consequent change in the PD.

5.3.5 Financial liabilities

The Fund classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL.

5.3.5.1 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income / (loss).

5.3.6 Trade date accounting

A regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the fund commits to purchase or sell the assets). Regular way purchases or sales are purchase or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

5.3.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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 unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.4 Receivables

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

5.5 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 (equity) 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 (equity).
- 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 recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund over the life of the instrument.

In addition to the redeemable units 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 recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) 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 units. If the redeemable units 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 recognized in equity. If the redeemable units 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 units are accounted for as equity transactions.

- No gain or loss is recognized in the statement of comprehensive income / (loss) on the purchase, issuance or cancellation of the Fund's own equity instruments.

5.6 Accrued expenses

Accrued expenses are recognized initially at fair value and subsequently measured at amortized cost using the effective profit rate method.

5.7 Provisions

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

5.8 Taxation/zakat

Taxation / zakat is the obligation of the Unit Holders and therefore, no provision for such liability is made in these financial statements.

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)**

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.9 Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss (“FVTPL”)

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

Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior period’s unrealized gains and losses for financial instruments which were realized in the reporting period. Realized gains and losses on disposals of financial instruments classified as at FVTPL 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).

5.10 Dividend income

Dividend income, if any is recognized in the statement of comprehensive income / (loss) on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVTPL, is recognized in the statement of comprehensive income / (loss) in a separate line item

5.11 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in statement of comprehensive income / (loss) or loss as an expense.

5.12 Net assets value

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

6 CASH AND CASH EQUIVALENTS

	Notes	31 December 2021	31 December 2020
Balances with financial institution	6.1, 9	<u>3,987,276</u>	<u>1,133,420</u>
Total		<u>3,987,276</u>	<u>1,133,420</u>

6.1 Cash balances are held in investment account with Riyadh Capital (the “Custodian”). The Fund does not earn profit on this account.

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

7 INVESTMENTS CARRIED AT FVTPL

	31 December 2021		31 December 2020	
	Cost	Market value	Cost	Market value
Equity investments (Note 11.1a)	77,810,882	90,098,459	65,111,886	70,194,096

Industry sector	31 December 2021		
	Cost	Market value	%
Banks and financial services	34,320,430	44,429,077	49%
Retail	8,520,351	9,391,888	10%
Petrochemicals	8,792,733	9,033,001	10%
Real estate	6,936,236	7,143,381	8%
Energy and utilities	6,378,912	6,512,883	7%
Telecom and IT	5,118,416	5,278,625	6%
Transport	2,172,673	2,546,200	3%
Industrial Investment	2,048,447	2,355,000	3%
Health Care	2,095,946	2,028,246	2%
Consumer services	1,426,738	1,380,158	2%
	77,810,882	90,098,459	100%

Industry sector	31 December 2020		
	Cost	Market value	%
Banks and financial services	19,243,504	20,745,529	30%
Cement	11,297,824	12,179,660	17%
Retail	7,978,433	8,601,179	12%
Telecom and IT	6,837,081	7,370,740	11%
Petrochemicals	6,396,431	6,895,696	10%
Transport	5,021,653	5,413,611	8%
Real estate	4,174,515	4,500,351	6%
Building and construction	2,246,956	2,422,330	3%
Energy and utilities	1,915,489	2,065,000	3%
	65,111,886	70,194,096	100%

8 UNIT TRANSACTIONS

Transactions in units for the year are summarized as follows:

	31 December 2021	31 December 2020
Units at the beginning of the year	6,410,918	5,286,574
Units issued	86,320	1,136,144
Units redeemed	(67,708)	(11,800)
Net changes in units	18,612	1,124,344
Units at the end of the year	6,429,530	6,410,918

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

9 RELATED PARTY TRANSACTIONS AND BALANCES

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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The significant related party transactions entered into by the Fund during the year are as follows:

Related party	Nature of relationship	Nature of transaction	31 December 2021	31 December 2020
SICO Capital Company	Fund manager	- Management fee (see Note 1)	1,459,249	1,003,706
		- Administration fee (see Note 1)	50,757	36,356
Riyad Capital	Affiliate	- Custodian fee (see Note 1)	86,922	87,974
Board members		- Board meeting fee	20,000	20,000

The balances resulting from related party transactions are as follows:

Related party	Nature of relationship	Nature of transaction	Note	31 December 2021	31 December 2020
SICO Capital Company	Fund manager	- Management fee		(390,959)	(305,493)
		- Administration fee *		(27,428)	(10,087)
Riyad Capital	Affiliate	- Custodian fee *		(8,932)	2,465
		- Balances with financial institution	6	3,987,276	1,133,420
Board members		- Board meeting fee *		(15,000)	(5,000)

* These balances have been recorded under other accrued expenses.

10 FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2021

Assets as per statement of financial position

	FVTPL	Amortized cost
Cash and cash equivalents	-	3,987,276
Investment carried at FVTPL	90,098,459	-
Prepayments and other assets	-	6,036
Total	90,098,459	3,993,312

31 December 2020

Assets as per statement of financial position

	FVTPL	Amortized cost
Cash and cash equivalents	-	1,133,420
Investment carried at FVTPL	70,194,096	-
Prepayments and other assets	-	16,115
Total	70,194,096	1,149,535

All financial liabilities as at 31 December 2021 and 31 December 2020 are classified as financial liabilities measured at amortized cost category.

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT

11.1 Financial risk factors

The objective of the Funds is to continue to provide optimum returns to its unitholders. The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

Fund's financial assets carried at fair value through profit or loss were in the following currencies:

Currency	Country	31 December 2021	
		%	Fair value
SAR	Kingdom of Saudi Arabia	74%	66,678,507
AED	United Arab Emirates	21%	18,626,410
KWD	Kuwait	5%	4,793,542
		100%	90,098,459

Currency	Country	31 December 2020	
		%	Fair value
SAR	Kingdom of Saudi Arabia	71%	49,998,418
AED	United Arab Emirates	22%	15,303,264
KWD	Kuwait	5%	3,524,910
OMR	Sultanate of Oman	2%	1,367,504
		100%	70,194,096

(ii) Commission rate risk

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund does not have significant cash flow commission rate risk as it does not have any significant amount of variable rate financial instruments.

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

11.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Commission rate risk (continued)

The Fund is not exposed to fair value commission rate risk as the financial instruments of the Fund are carried at amortized cost other than investment carried at fair value through profit and loss which does not have commission rate risk.

(iii) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The Fund has exposure to equity instruments' price risk as the Fund holds such investments.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund closely monitors the price movement of its listed financial instruments. The Fund manages this risk through diversification of its investment portfolio in terms of geographical distribution, as disclosed in the table in foreign exchange risk above and industry concentration as follows:

The effect on the net assets value (equity) (as a result of the change in the fair value of investments as at 31 December 2021 and 31 December 2020) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows

	31 December 2021		31 December 2020	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Banks and financial services	+/- 1%	444,291	+/- 1%	+/- 207,455
Retail	+/- 1%	93,919	+/- 1%	+/- 86,012
Petrochemicals	+/- 1%	90,330	+/- 1%	+/- 68,957
Real estate	+/- 1%	71,434	+/- 1%	+/- 45,004
Energy and utilities	+/- 1%	65,129	+/- 1%	+/- 20,650
Telecom and IT	+/- 1%	52,786	+/- 1%	+/- 73,707
Transport	+/- 1%	25,462	+/- 1%	+/- 54,136
Industrial Investment	+/- 1%	23,550	+/- 1%	-
Health Care	+/- 1%	20,282	+/- 1%	-
Consumer services	+/- 1%	13,802	+/- 1%	-
Cement	+/- 1%	-	+/- 1%	+/- 121,797
Building and construction	+/- 1%	-	+/- 1%	+/- 24,223

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

11.1 Financial risk factors (continued)

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its balances with financial institutions.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Fund is exposed to credit risk for its balance with financial institutions and prepayments and other assets. The credit quality of the Fund's balances with financial institutions is assessed with reference to external credit ratings.

Expected credit loss measurement

The Fund does not have a formal internal grading mechanism. Credit risks are generally managed on the basis of external credit ratings of counterparties.

Under the general approach of IFRS 9 impairment, the financial assets are classified into three stages. Each stage indicates the credit quality of the particular financial asset.

Stage 1: includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Stage 2: includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but profit is still calculated on the gross carrying amount of the asset.

Stage 3: includes financial instruments that have objective evidence of impairment at the reporting date. This stage has obligors that already are impaired (defaulted).

One of the key components of IFRS 9 ECL is to determine whether there have been significant increases in credit risk (SICR) of an entity's credit exposures since initial recognition. The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL.

Definition of 'Default'

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Fund. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default. The Fund considers indicators that are:

- qualitative- e.g., breaches of covenant;
- quantitative- e.g., overdue status and non-payment on another obligation of the same issuer to the Fund; and
- based on data developed internally and obtained from external sources.

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)**

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

11.1 Financial risk factors (continued)

(b) Credit risk (continued)

Definition of 'Default' (continued)

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Fund for regulatory capital purposes. conditions. To derive PiT PDs, the Fund will annually source macro-economic forecast data for selected variables from appropriate sources.

Probability of Default (PD)

Through the yearly review of investments in debt instruments, the Fund shall draw a yearly transition matrix to compute account-based PD over the one-year horizon for the past 5 years. These PDs will be grouped as per credit ratings. This rating migration shall capture the movement of obligors into default at yearly intervals. An average default rate of the 5 yearly transition matrices provides the through the cycle PDs. IFRS 9 requires the use of a PD that is a 'point-in-time' (PiT PD) estimate reflecting current forecasts of future economic conditions. To derive PiT PDs, the Fund will annually source macro-economic forecast data for selected variables from appropriate sources.

Loss Given Default (LGD)

Loss given default is defined as the forecasted economic loss in case of default. LGD computation will be based on the Fund's losses on defaulted accounts after the consideration of recovery percentages. IFRS 9 also requires that LGD be estimated in collaboration with the forward-looking valuation of collaterals based on macro-economic factors. LGD computation is independent of the assessment of credit quality and thus applied uniformly across all stages.

For LGD estimation on its non-collateralized portfolio, the Fund shall compute LGD based on actual recoveries on its defaulted portfolio over a period of at least 5 years prior to the assessment date. Exposure at Default (EAD)

Exposure at default is an estimation of the extent that the Fund may be exposed to an obligor in the event of default. The estimation of EAD should consider any expected changes in the exposure after the assessment date. This is of importance in the case of Stage 2 assets where the point of default may be several years in the future.

Discount rate

The Fund will compute effective profit rate at a contractual level. If the computation of the effective profit rate (at reporting date) is not feasible, the Fund will use the contractual profit (at reporting date) for discounting purposes.

The Fund Manager has performed an ECL assessment for the financial assets carried at amortised cost. An allowance for impairment over these financial assets was not recognized in these financial statements as the amount was not material.

SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

11.1 Financial risk factors (continued)

(b) Credit risk (continued)

Credit ratings

The credit quality of the Fund's balances with financial institutions is assessed with reference to external credit ratings.

Rating of Financial Institution	31 December 2021	31 December 2020
Balance with financial institution		
Unrated	3,987,276	1,133,420
	<u>3,987,276</u>	<u>1,133,420</u>

The following table shows maximum exposure to credit risk for the components of the statement of financial position.

	Note	31 December 2021	31 December 2020
Cash and cash equivalents		3,987,276	1,133,420

The management has conducted a review as required under IFRS 9 and based on an assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents.

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on every Valuation Day and it is, therefore, exposed to the liquidity risk of meeting redemptions at any time. The Fund's securities are considered to be readily realizable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund.

The remaining contractual maturities at the reporting date of the Fund's financial liabilities consisting of accrued management fee and other accrued expenses are shown below:

	31 December 2021		
	Less than 1 year	More than 1 year	Total
Accrued management fee	390,959	-	390,959
Other accrued expenses	114,878	-	114,878
TOTAL LIABILITIES	<u>505,837</u>	<u>-</u>	<u>505,837</u>
	31 December 2020		
	Less than 1 year	More than 1 year	Total
Accrued management fee	305,493	-	305,493
Other accrued expenses	32,369	-	32,369
TOTAL LIABILITIES	<u>337,862</u>	<u>-</u>	<u>337,862</u>

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)
MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

11.1 Financial risk factors (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

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

11.2 Fair value estimation

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision, if any, of financial instrument carried at amortized cost are assumed to approximate their fair values.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

As of December 31, 2021, the Fund's financial instruments comprise cash and cash equivalent, Investment carried at fair value through profit and loss, prepayments and other assets, accrued management fee and other accrued expenses. Except for Investments carried at fair value through profit or loss, all the financial instruments are measured at amortised cost and their carrying value is a reasonable approximate of fair value. Investments carried at fair value through profit or loss are held in level 1 hierarchy of fair value.

12 DIVIDEND DISTRIBUTION

In accordance, with the approved terms and conditions of the Fund, on 10 February 2021 and 09 September 2021, the Fund's board of directors recommended to distribute dividends with regards to the six-month period ended 31 December 2020 and 30 June 2021 amounting to SR 1,426,429 and 1,291,977 respectively to its unitholders.

13 EVENTS AFTER THE END OF THE REPORTING PERIOD

As of the date of approval of these financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these financial statements.

**SICO CAPITAL GCC DIVIDEND GROWTH FUND (Previously known as
Muscat Capital GCC Dividend Growth Fund)
(Open-ended fund)**

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in Saudi Riyals)

14 CHANGES IN FUND'S TERMS AND CONDITIONS

The Fund and Conditions were updated on 14 November 2021 in which the new name of the Fund from “Muscat Capital GCC Dividend Growth Fund” to “SICO Capital GCC Dividend Growth Fund” and the new name of Fund manager from “Muscat Capital Company” to “SICO Capital Company” is updated. Furthermore, there is a change in the board of directors of the Fund. In addition to it, there is no significant changes in the Terms and Conditions of the Fund.

15 LAST VALUATION DAY

In accordance with the Terms and Conditions of the Fund, the last valuation day of the year was 30 December 2021 (2020: 31 December 2020). There is no material change in the net assets (equity) attributable to each unit of the Fund between last valuation day and its financial year end i.e., 31 December 2021.

16 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board on 23 March 2022 (Corresponding to 20 Shaban, 1443H).

Signed on behalf of Board of Directors

Authorized Signatory