



Muscat Capital IPO Fund



Annual Fund Report **Financial Year: 2017**

Investment Fund Information

Muscat Capital IPO Fund

The Fund aims to maximize capital growth through investing primarily in initial public offerings (IPOs) and Shariah compliant Saudi companies listed in Tadawul during the prior 3 years. The fund aims also at achieving investment returns greater than the Fund benchmark, Muscat Capital IPO Index calculated by "Ideal Ratings".

Distribution of Income and Gain Policy

The Fund will not make any distributions to Unit holders. Instead, capital gains and dividends will be reinvested.

Fund Performance

	2017	2016	2015
Net Assets	11,730,487.35	49,666,563.86	269,040,242.68
NAV Per Unit	9.7526	10.5715	10.4799
Highest NAV Per Unit	10.6453	10.8699	11.7890
Lowest NAV Per Unit	9.3919	9.7594	9.9673
No. of Units	1,202,808.5853	4,698,156.7286	25,672,048.3402
Income Distribution Per Unit	N/A	N/A	N/A
Expense Ratio	0.07	0.06	0.02

Fund Performance

Description	Total Return (%)					Annual Total Return (%)				
	1 Year	3 Years	5 Years							
Total Return (%)	-7.72	-2.47	N/A							
2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Since Inception
-7.72	0.84	4.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-2.47

Fund Fee & Expenses for the year

Fee/Expense type	Amount
management fee	336,409.13
admin fee	187,458.88
custody fee	194,464.08
audit charges	45,000.00
publication tadawal fee	5,000.50
directors fee	20,000.00
Shariah board fee	52,500.00
Benchmark fee	22,500.00
regularoy fee	7,500.00

Material Changes that Effect Fund Performance

The new board memebres are:

- Mr Khalifa Al Hatmi - Chairman
- Mr Khalid Al Anqari - independent member
- Mr Abdullah Al Khonaifer - Independent member
- Mr Fawaz Al malik - non independent member

Exercise of Annual Voting Rights and Date of AGM

The Fund Manager did not exercise any voting rights.

Fund Board Annual Report

1) Meeting Dates:

Muscat Capital IPO Fund had two Fund Board meetings during 2017 on 14 March 2017 and 09 October 2017

2) Major topics discussed during each meeting:

- a) Update on the Fund
- b) Update on the IPO participation into the Fund
- c) Ratification of the financial statements for the year 2016
- d) Appointment of Auditor for the year 2018
- e) Ratification and approval of revised Terms & Conditions
- f) Annual review of KYC and Terms & Conditions
- g) Ratification and approval of the interim financial statements
- h) Disclosure of material conflicts and Ratification and approval of investors holding above 5% of the AUM
- i) Change in Board of Directors
- j) Appointment of new Portfolio Manager
- k) Termination of Sub manager

Fund Manager

Muscat Capital
Ground floor Vision tower (BankMuscat building) P.O Box 64666 Riyadh Saudi Arabia

Sub Fund Manager

Note:

There is no Sub Fund Manager for this Fund

Investment Advisor

The Fund does not have an Investment Advisor

Investment Activities during the period

Throughout 2017, the Fund maintained high cash levels. The main reason for the large cash position was the uncertainty surrounding geopolitics and macro-environment as that country restructures its economy according to the Vision 2030 plan. This led to be underweight cement, banks and contractors for the bulk of the year as these sectors are typically the most affected by the macro shocks.

Fund Manager write-up on Fund performance

During the year the fund gave a return on -7.72%, outperforming the benchmark by 4.10%. The negative return was due to poor performance of IPOs during the year, especially in the NOMU market. The outperformance against benchmark is primarily attributable to underweight asset allocation compared to the benchmark.

Material Changes during the period

On 31st October 2017, the sub-management agreement with EFG Hermes KSA was terminated.

Other information for Unitholders

All information contained in this report is as per the Investment Fund Regulations (IFR) by the Capital Market Authority (CMA).
There were no breaches reported in the Fund during the year 2017.

Any Special commission Received by Fund Manager

There were no special commission received for the year

Custodian

Name And Address

The Northern Trust Company of Saudi Arabia
Nakheel Tower, Level 11, King Fahad Road, P.O Box 10175, Riyadh, 11433, Kingdom of Saudi Arabia

Duties and Responsibilities

Custodian Duties:

- Safekeeping – Holds and protects client's assets.
- Trade Settlement – Transmits precise, timely trade information and executes settlements.
- Tax Reclamation – Recovers taxes for clients in markets that have tax treaties and exemptions.
- Income Collection – Collects income on portfolio holdings.
- Corporate Actions – Monitors events thoroughly and settles entitlements.
- Proxy Voting – Submits votes per your instructions.
- Reporting – Provides timely and comprehensive reports on portfolio holdings.

Custodian opinion on Fund Manager

The activities of issuing, transferring and redeeming units in compliance with the Investment Funds Regulation were performed by the Fund Manager.
Northern Trust confirms that it valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations, the fund's Terms and Conditions
The Fund was in compliance with investment restrictions, limitations and did not breach any borrowing limits.
The Fund Manager complied with regulatory requirements with reference to notification of breaches.

Auditor

Name And Address

PricewaterhouseCoopers
POSTAL CODE: 11482 PO BOX: 8282 Kingdom Tower 21st Floor Riyadh Saudi Arabia

Opinion on Financial Statement

Auditor's opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Muscat Capital IPO Fund (the "Fund") as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at December 31, 2017;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in net assets for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Financial Statements

Kindly visit www.muscatcapital.com.sa for the financial statements of the Fund.

This report is available free of charge.

This document is not an offer by Muscat Capital to sell Units in the Fund. Basis of valuation: Listed securities are based on prices obtained from the relevant exchange. All other securities or instrument prices are based on available valuations & prices received from the investment counterparty. Units of the Fund are sold in accordance with the Funds Terms & Conditions which can be found by visiting Muscat Capital's website. Ratio's & calculations mentioned in this report have been calculated based on regulatory guidelines and generally accepted calculation methods.

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