



## Investment Fund Information

## Investment Objectives and Policies

## 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

Description	2016	2015	2014
Net Assets	49,666,563.86	269,040,242.63	N/A
NAV Per Unit	10.5715	10.4799	N/A
Highest NAV Per Unit	10.8699	11.7890	N/A
Lowest NAV Per Unit	9.7594	9.9673	N/A
No. of Units	4,698,156.7286	25,672,048.3402	N/A
Income Distribution Per Unit	N/A	N/A	N/A
Expense Ratio	0.06	0.02	N/A

## Performance Record

## Total Return (%)

Description	1 Year	3 Years	5 Years	Since Inception
Total Return (%)	0.87	N/A	N/A	5.72

## Annual Total Return (%)

2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	Since Inception
0.87	4.80	N/A	5.72							

## Fund Fees &amp; Expenses for the year

Fee/Expense Type	Amount
Management Fee	2,559,404.03
Admin Fee	185,867.45
Custody Fee	52,379.08
Audit Charges	30,000.00
Publication Tadawal Fee	5,000.00
Directors Fee	10,930.59
Legal Fee	50,000.00
Other Charges	35,766.73
S&P Index	9,955.96
Regularoy Fee	7,500.00
Professional Services Fee	22,972.91
Other Expenses	6,073.19

## Material Changes that Effect Fund Performance

There were no material changes



### 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 2016 on 28 March 2016 and 07 December 2016

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 2015
- d) Appointment of Auditor for the year 2016
- 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

3) Separate Board resolutions during the year other than in the meeting:

None

### Fund Manager

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

### Sub Fund Manager

EFG Hermes  
Sky Towers, Northern Tower, Olaya, Riyadh, Saudi Arabia

### Investment Advisor

The Fund does not have an Investment Advisor

### Investment Activities during the period

Throughout 2016, we maintained high cash levels. The main reason for our large cash position was the uncertainty surrounding new regulations 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. As results trickled out for Q4 2016, many of our picks were vindicated by their superior numbers.

### Fund Manager write-up on Fund performance

2016 was a year characterized by volatility and several shock vote results. Whether it was the UK's decision to leave the European Union, the election of Donald Trump as US president or the volatility in oil prices, the year was certainly not without incident. Despite these headwinds, markets ended the year positively for the most part, driven by renewed investor confidence. Against this backdrop, the Muscat IPO Fund gained 0.94% during the year compared to a drop of 16.48% for the relevant benchmark. The bulk of the alpha generated was done so through a disciplined stock selection approach, which focuses on quality companies with strong balance sheets and sustainable cash flow generation.

Looking out to 2017, we see risks and opportunities in equal measure – as always! The OPEC coordinated production cuts and expectations of fiscal stimulus in the US have created good momentum heading into the new year. While we do not know where oil prices will end the year, we expect them to be much less volatile than 2016, which will be supportive of stock selection. We feel this stability also filters through to the macro environment by a more measured structural rebalancing for regional economies. Having said that, risks remain. Whether it is more austerity and reforms in the kingdom or European elections, there are many factors that can derail the positive momentum. Overall, we remain cautiously optimistic. As always, we will be focusing on stock selection to continue to generate alpha.

### Material Changes during the period

There were no material changes

### Other information for Unitholders

All information contained in this report is as per the Investment Fund Regulations (IFR) by the Capital Market Authority (CMA)

### Any Special commission Received by Fund Manager

There were no special commission received for the year

### Custodian

#### Name And Address

The Nothern 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 Statements

#### INDEPENDENT AUDITORS' REPORT

December 2016

To the unit holders of Muscat Capital IPO Fund:

#### Scope of audit:

We have audited the accompanying balance sheet of the Muscat Capital IPO Fund (the "Fund") managed by Muscat Capital Company (the "Fund Manager") as of December 31, 2016, and the related statements of operations, cash flows and changes in net assets attributable to unit holders for the year then ended, and the notes from (1) to (13) which form an integral part of these financial statements. These financial statements, which were prepared by the Fund's management and presented to us with all information and explanations which we required, are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### Unqualified opinion:

In our opinion, such financial statements taken as a whole present fairly, in all material respects, the financial position of the Fund as of December 31, 2016 and the results of its operations, cash flows and the changes in its net assets attributable to unit holders for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Fund.

PricewaterhouseCoopers

### Financial Statements

Kindly visit [www.muscatcapital.com.sa](http://www.muscatcapital.com.sa) for the financial statements of the Fund.

## This report is available free of charge

The information provided herein is not an offer or a solicitation to invest in the Fund. Units of the Fund are sold in accordance with the Terms & Conditions of the Fund, which can be found elsewhere in this website.