

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

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

For the period ended 31 March 2025

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE FUND MANAGER

Report on Review of Interim Condensed Financial Information

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund) ("the Fund") (Fund Manager - Watani Investment Company K.S.C.C.), as at 31 March 2025 and the related interim condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. The Fund Manager is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

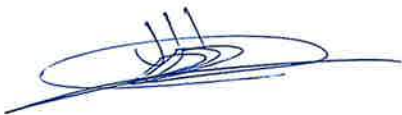
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Report on Review of Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the Fund and we have not become aware of any contraventions of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, or of the Articles of Association of the Fund during the three months period ended 31 March 2025, that might have had a material effect on the business of the Fund or on its financial position.



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Deloitte & Touche -Al-Wazzan & Co.**

Kuwait
22 April 2025

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

Interim Condensed Statement of Financial Position as at 31 March 2025 (Unaudited)

	Note	US Dollar		
		31 March 2025 (Unaudited)	31 December 2024 (Audited)	31 March 2024 (Unaudited)
ASSETS				
Cash and cash equivalents	3	374,620	1,051,658	1,590,440
Investments at fair value through profit or loss	4	52,865,965	55,322,381	51,846,743
Other receivables		281	2,436	361
Total assets		53,240,866	56,376,475	53,437,544
LIABILITIES AND EQUITY				
LIABILITIES				
Other payables	5	779,791	830,610	646,230
Due to brokers	6	-	-	674,029
Total liabilities		779,791	830,610	1,320,259
EQUITY				
Share capital	7	46,836,290	50,309,900	47,212,520
Equalization reserve	7	7,600,969	7,956,556	7,527,379
Accumulated losses		(1,976,184)	(2,720,591)	(2,622,614)
Total equity		52,461,075	55,545,865	52,117,285
Total liabilities and equity		53,240,866	56,376,475	53,437,544
Net asset value per redeemable investment unit	8	11.2009	11.0407	11.0389

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



Watani Investment Company K.S.C.C
In its capacity as the Fund Manager



Gulf Custody Company K.S.C.C
In its capacity as the Investment Controller

Handwritten initials

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

Interim Condensed Statement of Profit or Loss and other Comprehensive Income
Three months ended 31 March 2025 (Unaudited)

		US Dollar	
		Three months ended	
		31 March	
	Note	2025	2024
		(Unaudited)	(Unaudited)
Revenues			
Investments at fair value through profit or loss:			
Unrealized gain/(loss)		805,714	(357,767)
Realized gain/(loss)		49,972	(50,741)
Interest income		664,476	512,928
		<u>1,520,162</u>	<u>104,420</u>
Expenses			
Management fees	9	(97,907)	(90,061)
Custodian fees	9	(8,032)	(7,493)
Investment controller fees		(3,945)	(3,978)
Other operating expenses	10	(6,885)	(5,443)
		<u>(116,769)</u>	<u>(106,975)</u>
Profit/(Loss) for the period		1,403,393	(2,555)
Other comprehensive income		-	-
Total comprehensive income/(expense) for the period		<u>1,403,393</u>	<u>(2,555)</u>

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

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

Interim Condensed Statement of Changes in Equity – Three months ended 31 March 2025 (Unaudited)

	US Dollar			Total
	Share capital	Equalization reserve	Accumulated losses	
Balance as at 1 January 2025	50,309,900	7,956,556	(2,720,591)	55,545,865
Subscriptions during the period	68,220	7,933	-	76,153
Redemptions during the period	(3,541,830)	(363,520)	-	(3,905,350)
Dividend distribution	-	-	(658,986)	(658,986)
Total comprehensive income for the period	-	-	1,403,393	1,403,393
Balance as at 31 March 2025	46,836,290	7,600,969	(1,976,184)	52,461,075
Balance as at 1 January 2024	41,448,620	6,886,247	(1,636,208)	46,698,659
Subscriptions during the period	5,788,090	643,790	-	6,431,880
Redemptions during the period	(24,190)	(2,658)	-	(26,848)
Dividend distribution	-	-	(983,851)	(983,851)
Total comprehensive expense for the period	-	-	(2,555)	(2,555)
Balance as at 31 March 2024	47,212,520	7,527,379	(2,622,614)	52,117,285

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

Watani USD Bond Fund (formerly Regional Bond and Sukuk Investment Fund)
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Interim Condensed Statement of Cash Flows – Three months ended 31 March 2025 (Unaudited)

	US Dollar	
	Three months ended 31 March	
Note	2025 (Unaudited)	2024 (Unaudited)
Operating activities		
Profit/(loss) for the period	1,403,393	(2,555)
Adjustment for:		
Unrealized (gain)/loss - Investments at fair value through profit or loss	(805,714)	357,767
Net decrease/(increase) in investments at fair value through profit or loss	3,262,130	(4,942,228)
Decrease/(increase) in other receivables	2,155	(361)
Increase/(decrease) in other payables	1,542	(1,587,809)
Net cash from/(used in) operating activities	<u>3,863,506</u>	<u>(6,175,186)</u>
Financing activities		
Cash received on subscription of redeemable investment units	75,161	7,229,880
Cash paid on redemption of redeemable investment units	(3,905,350)	(26,848)
Dividend distribution paid	(710,355)	(464,513)
Net cash (used in)/from financing activities	<u>(4,540,544)</u>	<u>6,738,519</u>
Net (decrease)/increase in cash and cash equivalents	(677,038)	563,333
Cash and cash equivalents		
at beginning of period	1,051,658	1,027,107
at end of period	3 <u>374,620</u>	<u>1,590,440</u>

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

Notes to the Interim Condensed Financial Information – For the three months ended 31 March 2025 (Unaudited)

1. Incorporation and activities

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

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

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

The Fund has no employees.

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

Fund’s functional currency is the US Dollar.

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

This interim condensed financial information has been approved for issue by the Fund Manager and the Fund Custodian on 22 April 2025.

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

Basis of preparation

The interim financial information of the fund has been prepared in accordance with International Accounting Standard (“IAS”) 34: Interim Financial Reporting. The accounting policies used in the preparation of this interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the period ended 31 December 2024.

The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS Accounting Standards as issued by IASB, and should be read in conjunction with the Fund’s annual financial statements for the period ended 31 December 2024. Certain amendments and interpretations apply for the first time in 2025, but do not have an impact on the interim condensed financial information of the Fund. Further, results for the Three months period ended 31 March 2025, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2025.

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

The unitholders assembly meeting for the year ended 31 December 2024 has not been held until the date of approval of this interim condensed financial information. Accordingly, the opening balances for the year are subject to unitholders approval.

3. Cash and cash equivalents

Cash and cash equivalents represent balances with the Fund custodian.

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Notes to the Interim Condensed Financial Information – For the three months ended 31 March 2025 (Unaudited)

4. Investments at fair value through profit or loss

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

5. Other payables

	US Dollar		
	31 March 2025 (Unaudited)	31 December 2024 (Audited)	31 March 2024 (Unaudited)
Accrued management fees (refer note 9)	97,907	105,103	90,060
Accrued custodian fees (refer note 9)	8,032	5,650	7,493
Accrued audit fee expense	8,884	6,487	12,175
Other accrued expenses	2,029	572	809
Dividend payable	658,986	710,355	519,338
Subscriptions received in advance	8	1,000	15,000
Accrued investment controller fees	3,945	1,443	1,355
	779,791	830,610	646,230

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

6. Due to brokers

Due to Brokers represents amount to be paid to brokers on purchase of investment.

7. Equity

Share capital

The Fund's capital ranges from 1,800,000 units to 50,000,000 units with par value of USD 10 each. These units are issued and redeemed at the unit holders' option based on the value of the Fund's net assets at the time of issue or redemption which is done on a weekly basis. As at 31 March 2025, the Fund's outstanding issued units at nominal value were 4,683,629 units (31 December 2024: 5,030,990 units, 31 March 2024: 4,721,252 units).

Equalization reserve

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

8. Net asset value per redeemable unit

	31 March 2025 (Unaudited)	31 December 2024 (Audited)	31 March 2024 (Unaudited)
Net assets attributable to redeemable unit holders (US Dollar)	52,461,075	55,545,865	52,117,285
Number of redeemable units	4,683,629	5,030,990	4,721,252
Net asset value per redeemable investment unit (US Dollar)	11.2009	11.0407	11.0389

9. Related parties

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

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Notes to the Interim Condensed Financial Information – For the three months ended 31 March 2025 (Unaudited)

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

The Fund Manager is required to hold a minimum of Kuwait Dinar 100,000 of the Fund's subscribed units subject to a maximum of 75%. As at 31 March 2025, Fund Manager holds 100,000 redeemable units representing 2.14% of outstanding redeemable units (Kuwait Dinar equivalents of 345,446) (31 December 2024, Fund Manager holds 100,000 redeemable units representing 1.99% of outstanding redeemable units (Kuwait Dinar equivalents of 340,164), 31 March 2024, Fund Manager holds 100,000 redeemable units representing 2.12% of outstanding redeemable units (Kuwait Dinar equivalents of 339,653).

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

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

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

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

Bank balance with the Fund custodian amounts to US Dollar 374,620 (31 December 2024: US Dollar 1,051,658; 31 March 2024: US Dollar 1,590,440).

10. Other operating expenses

	US Dollar	
	Three months ended	
	31 March	
	2025	2024
	(Unaudited)	(Unaudited)
Audit fees	2,398	2,424
Registrar fees	799	808
Bank charges	68	587
Other expenses	3,620	1,624
	6,885	5,443

11. Fair value of financial instruments

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

Cash and cash equivalents
Investments at fair value through profit or loss
Other receivables
Other payables
Due to brokers

Fair value

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

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

12. Segment information

The Fund is organised into one main business segment, which is to achieve long term capital appreciation by investing in the Gulf and other countries debt instruments denominated in US Dollar. 53.3% of the fund's investments as at 31 March 2025 (52% as at 31 December 2024, 67.3% as at 31 March 2024) are in GCC countries and balance in other countries. The Fund maintains all its assets and liabilities inside Kuwait. This segment is based on reports reviewed by the Fund Manager.

13. Taxation

The Fund is not subject to taxation inside Kuwait.