

Morgan Stanley

# MORGAN STANLEY SAUDI ARABIA

## The Morgan Stanley Saudi Equity Fund

Annual Report 2018

IFR, Article 71 (b)

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## Fund Directory

<b>Name of the Fund</b>	Morgan Stanley Saudi Equity Fund
<b>Fund Manager</b>	<p>Morgan Stanley Saudi Arabia, a closed joint stock company established under the laws of Saudi Arabia with Commercial Registration Number 1010224144 dated 18/9/1427H, issued in Riyadh, and licensed by the Capital Market Authority.</p> <p>The address of the Fund Manager is: Al Rashid Tower, 10th Floor King Saud Road, Riyadh P. O. Box 66633, Riyadh 11586 Tel: +966 (11) 218 70 00 Fax: +966 (11) 218 71 44 <a href="http://www.MorganStanley.com">www.MorganStanley.com</a></p>
<b>Custodian</b>	<p>The <b>Custodian</b> is HSBC Saudi Arabia Limited 2nd floor – HSBC Building, Olaya Road 7267 Olaya – Al Murooj Riyadh 12283-2255 Saudi Arabia Tel: +966 (11) 299 23 13 Fax: +966 (11) 299 23 85</p>
<b>Administrator</b>	<p>The <b>Administrator</b> is HSBC Saudi Arabia Limited HSBC Building, Olaya Road 7267 Olaya – Al Murooj Riyadh 12283-2255 Saudi Arabia</p>
<b>Registrar</b>	<p>The <b>Registrar</b> is HSBC Saudi Arabia Limited HSBC Building, Olaya Road 7267 Olaya – Al Murooj Riyadh 12283-2255 Saudi Arabia</p>
<b>Auditor</b>	<p>The <b>Auditor</b> is Ernst &amp; Young P.O. Box 2732 Riyadh 11461 Saudi Arabia Tel: +966 (11) 273 4740 Fax: +966 (11) 273 4730</p>

## A. Investment Fund Information

### 1. Name of the investment fund

The Morgan Stanley Saudi Equity Fund

### 2. Investment objectives and policies

The Fund's investment objective is to provide long-term capital appreciation and growth. It intends to pursue these objectives by investing in shares listed and traded on the Saudi Stock Exchange, Tadawul, and in shares offered in the course of an IPO. The Fund's performance will be measured against the Tadawul All Share Index ("TASI") for the purposes of providing investors with an indication of performance relative to an existing standard.

### 3. Distribution of income and gain policy

The Fund is an income accumulation Fund, whereby its net income will be reinvested in the Fund and not distributed as dividends on the Units. Reinvestment of income will be reflected in the value and price of the Units.

**Reports are available upon request free of charge from the fund manager.**

## B. Fund Performance

### 1. Fund summary

	2016	2017	2018
<b>Net Assets 31.12 (SAR)</b>	36,147,185.10	26,692,249.86	49,811,246.62
<b>Net assets per unit 31.12 (SAR)</b>	297.4348	303.7828	357.8715
<b>Highest Net Assets Value per unit (SAR)</b>	298.2796	314.6477	390.1710
<b>Lowest Net Assets Value per unit (SAR)</b>	220.4247	274.3219	303.7469
<b>Units in Issue 31.12</b>	121,529.79	87,866.23	139,187.53
<b>Income Distribution Per Unit</b>	0.00	0.00	0.00
<b>Total Expense Ratio</b>	2.54%	3.18%	2.58%

## 2. Fund performance record

The total return for 1 year, 3 years and 5 years (or since inception):

DESCRIPTION	INCEPTION DATE	RETURN TYPE	1 YEAR CUM	3 YEAR CUM	5 YEAR CUM	SINCE INCEPTION CUM
Saudi Equity Month-end NAV	6-Jan-09	Net	17.81	32.25	62.76	257.87
Tadawul All Share Index	N/A	N/A	8.31	13.24	-8.30	47.96

The Annual total return for each of the last 10 financial years (or since Inception):

DESCRIPTION	DATE	ANNUALIZED RETURN
Saudi Equity Monthend NAV	31-Dec-09	19.55 <sup>1</sup>
Tadawul All Share Index	31-Dec-09	15.73 <sup>1</sup>
Saudi Equity Monthend NAV	31-Dec-10	17.23
Tadawul All Share Index	31-Dec-10	8.15
Saudi Equity Monthend NAV	31-Dec-11	0.09
Tadawul All Share Index	31-Dec-11	-3.07
Saudi Equity Monthend NAV	31-Dec-12	8.20
Tadawul All Share Index	31-Dec-12	5.98
Saudi Equity Monthend NAV	31-Dec-13	44.87
Tadawul All Share Index	31-Dec-13	25.50
Saudi Equity Monthend NAV	31-Dec-14	27.55
Tadawul All Share Index	31-Dec-14	-2.37
Saudi Equity Monthend NAV	31-Dec-15	-3.51
Tadawul All Share Index	31-Dec-15	-17.06
Saudi Equity Monthend NAV	31-Dec-16	9.91
Tadawul All Share Index	31-Dec-16	4.32
Saudi Equity Month end NAV	31-Dec-17	2.13
Tadawul All Share Index	31-Dec-17	0.22
Saudi Equity Month end NAV	31-Dec-18	17.81
Tadawul All Share Index	31-Dec-18	8.31

<sup>1</sup> Fund inception date is 6 January 2009.

### 3. Actual fees and fund expenses paid by the investment fund

The table below shows the actual fees and fund expenses paid by the investment fund during the year.

DESCRIPTION	PERIOD 2018
Management Fee	591,298
Management Fee rebate (from 01 June 2018)	107,428
Custody Fees (0.10%) (Minimum Fees 112,500 to 31 May 2018; 56,250 thereafter)	79,688
Fund Admin Fees (0.15%) (Minimum Fees 150,000 to 31 May 2018; 75,000 thereafter)	106,250
Audit Fees	50,000
Registration Fees	10,725
Board Fees	20,000
Transaction charge	30,600
VAT	39,557
Brokerage Fee	49,604
<b>Total Expense</b>	<b>870,292</b>
Average AUM	33,684,329
<b>TER For 2018</b>	<b>2.58</b>

### 4. Material changes having affected the fund

Performance was driven by normal business activities and portfolio positioning.

### 5. Disclosure of annual voting rights

COMPANY NAME	EVENT	DATE	AGENDAS	VOTING DECISION OF MSSEF
SGS	Extraordinary General Assembly Meeting	21-Jan-18	1. Vote on amending article 4 of the company's bylaws	Agreed
			2. Vote on amending article 20 of the company's bylaws	Agreed
			3. Vote on amending article 48 of the company's bylaws	Agreed
			4. Vote on approving interim dividends	Agreed
			5. Vote on approving the above amendments and renumbering of the articles	Agreed
Advanced Petrochemical	Ordinary General Assembly Meeting	18-Mar-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on the distribution of cash dividends for 2017	Agreed
			5. Vote on authorizing the BoD to distribute cash dividends for 2018 on biannual or quarterly basis	Agreed
			6. Vote on the recommendation of the BoD to pay up to SAR 200,000 to each BoD member for FY 2017	Agreed

			7. Vote on discharging BoD members from liability for 2017	Agreed
			8. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			9. Vote on amending board membership regulations	Agreed
			1. Vote on Auditor's report for 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on the BoD report for FY 2017	Agreed
			4. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 of 2019	Agreed
			5. Vote on discharging BoD members from liability for 2017	Agreed
			6. Vote on the recommendation to pay SAR 1.4 Mn as a remuneration to the BoD members for FY 2017	Agreed
			7. Vote on the election of 7 BoD members	Disagreed
			8. Vote on electing Audit committee members	Agreed
			1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Bank's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the distributed cash dividends for H1 2017	Agreed
			6. Vote on the distribution of cash dividends for H2 2017	Agreed
			7. Vote on approving dividend distribution policy	Agreed
			8. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			9. Vote on the recommendation to pay SAR 5.96 Mn as a remuneration to the BoD members and the Audit committee members for FY 2017	Agreed
			10. Vote on approving 16 related party transactions	Agreed
			11. Vote on electing 2 Audit committee members	Agreed
			12. Vote on the election of Shariah supervisory members	Agreed
			1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Bank's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			6. Vote on paying additional remuneration to external Auditors for FY 2017	Agreed
			7. Vote on the distribution of cash dividends for 2017	Agreed
			8. Vote on the recommendation to pay remuneration to the BoD members for FY 2017	Agreed
			9. Vote on approving dividend distribution policy	Agreed
			10. Vote on updating the remuneration and nomination committees' regulations	Agreed
			11. Vote on updating the Audit committee's regulations	Agreed
			12. Vote on approving BoD membership policy	Agreed
			13. Vote on approving BoD and executives remuneration policy	Agreed
			14. Vote on approving 3 related party transactions	Agreed
			1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Bank's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed





	Assembly Meeting		2. Vote on Auditor's report for 2017	Agreed
			3. Vote on Company's financials of 2017	Agreed
			4. Vote on approving 4 related party transactions	Agreed
			5. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q 2019	Agreed
			6. Vote on the distribution of cash dividends for 2017	Agreed
			7. Vote on discharging BoD members from liability for 2017	Agreed
			8. Vote on the recommendation to pay SAR 1.8 Mn as a remuneration to the BoD members for FY 2017	Agreed
			9. Vote on approving the revised Audit committee charter	Agreed
			1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on Bank's financials of 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the distribution of cash dividends for H2 2017	Agreed
Samba	Ordinary General Assembly Meeting	15-Apr-18	6. Vote on the recommendation to pay SAR 4.79 Mn as a remuneration to the BoD members for FY 2017	Agreed
			7. Vote on approving dividend distribution policy for 2018 in a semi-annual or quarterly basis	Agreed
			8. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			9. Vote on allowing BoD member Moussa Al Robayaan to be involved with other companies	Agreed
			10. Vote on amending board membership regulations	Agreed
			11. Vote on amending remuneration policy for BoDs and executive management	Agreed
			12. Vote on electing of Ibrahim Al Sada as a member of the Audit committee	Agreed
			1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on Company's financials of 2017	Agreed
Arriyadh Development Co.	Ordinary General Assembly Meeting	16-Apr-18	4. Vote on the distribution of cash dividends for 2017	Agreed
			5. Vote on approving dividend distribution policy for 2018	Agreed
			6. Vote on the recommendation to pay SAR 4 Mn as a remuneration to the BoD members for FY 2017	Agreed
			7. Vote on discharging BoD members from liability for 2017	Agreed
			8. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			1. Vote on Company's financials of 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on the BoD report for FY 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the distribution of cash dividends for 2017	Agreed
			6. Vote on the recommendation to pay SAR 1.8 Mn as a remuneration to the BoD members for FY 2017	Agreed
SIIG	Ordinary General Assembly Meeting	17-Apr-18	7. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			8. Vote on approving two related party transactions	Agreed
			9. Vote on approving dividend distribution policy for 2018 in a semi-annual or quarterly basis	Agreed
			10. Vote on electing BoD members	Agreed
			11. Vote on electing a member of the Audit committee	Agreed
			12. Vote on electing members of the Audit committee, approve its charter and determine members' remuneration	Agreed
			13. Vote on approving corporate governance charter, including board membership charter, remuneration and nomination committee charter, and remuneration policy	Agreed

SABIC	Ordinary General Assembly Meeting	17-Apr-18	1. Vote on Auditor's report for 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on the BoD report for FY 2017	Agreed
			4. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			5. Vote on the distributed cash dividends for H1 2017	Agreed
			6. Vote on the distribution of cash dividends for H2 2017	Agreed
			7. Vote on electing Nadir Al Waheebi as a BoD member	Agreed
			8. Vote on discharging BoD members from liability for 2017	Agreed
			9. Vote on the recommendation to pay SAR 1.8 Mn as a remuneration to the BoD members for FY 2017	Agreed
			10. Vote on approving dividend distribution policy for 2018 in a semi-annual or quarterly basis	Agreed
SPIMACO	Extraordinary General Assembly Meeting	19-Apr-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the distribution of cash dividends for 2017	Agreed
			6. Vote on the recommendation to pay SAR 1.75 Mn as a remuneration to the BoD members for FY 2017	Agreed
			7. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			8. Vote on allowing Issa Bin Jassem Al Khalifa to be involved with other companies	Agreed
			9. Vote on approving dividend distribution policy for 2018 in a semi-annual or quarterly basis	Agreed
			10. Vote on allowing Ali Al Zawawi to be involved with other companies	Agreed
			11. Vote on amending articles 19, 20, 21 and 37 of the Company's bylaws	Agreed
			12. Vote on amending the Audit committee charter	Agreed
			13. Vote on approving dividend distribution policy for 2018 in a semi-annual or quarterly basis	Agreed
Saudi Fransi Bank	Extraordinary General Assembly Meeting	19-Apr-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on Bank's financials of 2017	Agreed
			4. Vote on the distribution of cash dividends for H2 2017	Agreed
			5. Vote on the distributed cash dividends for H1 2017	Agreed
			6. Vote on approving dividend distribution policy for 2018 on semi-annual or quarterly basis	Agreed
			7. Vote on discharging BoD members from liability for 2017	Agreed
			8. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			9. Vote on the recommendation to pay remuneration to the BoD members for FY 2017	Agreed
			10. Vote on approving the remuneration policy	Agreed
			11. Vote on approving regulations on Audit committee charter	Agreed
			12. Vote on approving regulations on nomination and remuneration committee charter	Agreed
			13. Vote on approving regulations on board membership policy	Agreed
			14. Vote on the BoD decision to appoint Rayan Fayiz as a BoD member	Agreed
			15. Vote on the BoD decision to appoint Talal AlMaiman as a BoD member	Agreed
			16. Vote on approving 4 related party transactions	Agreed
			17. Vote on amending articles 1, 2, 12, 15, 16, 17, 18, 21, 22, 23, 25, 26, 31, 32, 33, and 36 of the Bank's bylaws	Agreed
			18. Vote on amending articles 45 of the Bank's bylaws	Disagreed

			19. Vote on adding articles 3 and 11 to the Bank's bylaws	Agreed
			20. Vote on removing article 9, 13, and 51 from the Bank's bylaws	Agreed
			21. Vote on removing article 14 from the Bank's bylaws	Disagreed
			22. Vote on approving the renumbering of the bylaws articles	Agreed
Lazurde	Ordinary General Assembly Meeting	22-Apr-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on the election of BoD member for a 3-year term	Disagreed
			5. Vote on the election of Audit committee, approve its charter and the remuneration of its members	Agreed
			6. Vote on the recommendation to pay SAR 1.28 Mn as a remuneration to the BoD members for FY 2017	Agreed
			7. Vote on approving a related party transaction	Disagreed
			8. Vote on discharging BoD members from liability for 2017	Agreed
			9. Vote on discharging BoD members from liability for 2017	Agreed
			10. Vote on approving dividend distribution policy for 2018 on semi-annual or quarterly basis	Agreed
			11. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
A. Othaim Market	Extraordinary General Assembly Meeting	23-Apr-18	1. Vote on Auditor's report for 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on the BoD report for FY 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the distributed cash dividends for H1 2017	Agreed
			6. Vote on the distribution of cash dividends for H2 2017	Agreed
			7. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 of 2019	Agreed
			8. Vote on the recommendation of BoD to increase the company's capital from SAR 450 Mn to SAR 900 Mn (one bonus share for every one share held)	Agreed
			9. Vote on amending articles 7, 8, 13, 15, 21 and 22 of the company's Bylaws	Agreed
			10. Vote on approving dividend distribution policy for 2018 on semi-annual basis or quarterly basis	Agreed
			11. Vote on approving 17 related party transactions	Agreed
			12. Vote on authorizing BoD to ratify and execute approved resolutions	Agreed
Petro Rabigh	Ordinary General Assembly Meeting	24-Apr-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			6. Vote on approving 14 related party transactions	Agreed
			7. Vote on the recommendation to pay SAR 1.05 Mn as a remuneration to the independent BoD for FY 2017	Agreed
			8. Vote on approving the remuneration policy for BoD, committees and executive management.	Agreed
			9. Vote on approving nomination and remuneration committee charter	Agreed
			10. Vote on electing members of nomination and remuneration committee, approve its charter and remuneration of its members	Agreed
			11. Vote on approving board membership policy	Agreed
			12. Vote on electing members of the Audit committee, approve its charter and remuneration of its members	Agreed
			13. Vote on approving regulations on Audit committee charter	Agreed
			14. Vote on approving the Company's corporate social responsibility policy	Agreed

			15. Vote on electing Sulaiman Al Barqan as a BoD member	Agreed
			16. Vote on the distribution of cash dividends for 2017	Agreed
STC	Ordinary General Assembly Meeting	26-Apr-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on Company's financials of 2017	Agreed
			4. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			5. Vote on discharging BoD members from liability for 2017	Agreed
			6. Vote on the election of BoD member for a 3-year term	Disagreed
			7. Vote on approving remuneration of BoD for 2017	Agreed
Budget Saudi	Ordinary General Assembly Meeting	30-Apr-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on the distribution of cash dividends for 2017	Agreed
			5. Vote on discharging BoD members from liability for 2017	Agreed
			6. Vote on approving 5 related party transactions	Agreed
			7. Vote on the election of BoD member for a 3-year term	Agreed
			8. Vote on the election of the Audit committee	Agreed
			9. Vote on the recommendation to pay SAR 1.13 Mn as a remuneration to BoD for FY 2017	Agreed
			10. Vote on the recommendation to pay Audit committee member remunerations for FY 2017 (at SAR 200K for every member)	Agreed
			11. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
Mouwasat	Ordinary General Assembly Meeting	2-May-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on Company's financials of 2017	Agreed
			4. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			5. Vote on the distribution of cash dividends for 2017	Agreed
			6. Vote on approving 6 related party transactions	Agreed
			7. Vote on allowing a BoD member (Sami Al Abdulkarim) to be involved with other companies	Agreed
			8. Vote on allowing a BoD member (Nasser Al Sabiai) to be involved with other companies	Agreed
			9. Vote on allowing a BoD member (Mohammed Al Salim) to be involved with other companies	Agreed
			10. Vote on discharging BoD members from liability for 2017	Agreed
			11. Vote on the recommendation to pay SAR 2.7 Mn as a remuneration to BoD for FY 2017	Agreed
Bank Aljazira	56th Ordinary General Assembly Meeting	9-May-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Bank's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			6. Vote on the distribution of cash dividends for FY 2017	Agreed
			7. Vote on approving 5 related party transactions	Agreed
Extra	Ordinary General Assembly Meeting	13-May-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on Company's financials of 2017	Agreed

			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the distributed cash dividends for 2017	Agreed
			6. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			7. Vote on approving dividend distribution policy for 2018 on semi-annual or quarterly basis	Agreed
			8. Vote on approve BoD decisions and actions until next general assembly meeting	Agreed
			9. Vote on the election of BoD members for a 3-year term	Agreed
			10. Vote on the election of Audit committee members, approve its charter and remuneration of its members	Agreed
			11. Vote on approving 11 related party transactions	Agreed
			1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Bank's financials of 2017	Agreed
			3. Vote on Auditor's report for 2017	Agreed
			4. Vote on the distribution of cash dividends for H2 2017	Agreed
			5. Vote on the distributed cash dividends for H1 2017	Agreed
			6. Vote on approving dividend distribution policy for 2018 on semi-annual basis or quarterly basis	Agreed
			7. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			8. Vote on approving BoD's remuneration for FY 2017	Agreed
			9. Vote on discharging BoD members from liability for 2017	Agreed
			10. Vote on the recommendation of BoD to increase the Banks's capital from SAR 20 Bn to SAR 30 Bn (one bonus share for every two shares held)	Agreed
			11. Vote on amending article 8 of the Bank's Bylaws	Agreed
			12. Vote on the election of BoD members for a 3-year term	Agreed
			13. Vote on the election of Audit committee members, approve its charter and remuneration of its members	Agreed
			14. Vote on authorizing the Share Repurchase Program (up to 4 Mn shares to be allocated to employee share scheme)	Disagreed
			15. Vote on approving the remuneration policy for the Bank management	Agreed
			16. Vote on authorizing the board actions from May 1, 2018 until the date of the this EGM (May 15, 2018)	Agreed
			1. Vote on Auditor's report for 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on the BoD report for FY 2017	Agreed
			4. Vote on the distribution of cash dividends for 2017	Agreed
			5. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			6. Vote on discharging BoD members from liability for 2017	Agreed
			7. Vote on the recommendation to pay SAR 1.8 Mn as a remuneration to the BoD for FY 2017	Agreed
			8. Vote to allow Fahad Alqassem to be involved with other companies	Agreed
			9. Vote to allow Fahad Alqassem to be involved with other companies	Agreed
			10. Vote to allow Mohammed Alfaqih to be involved with other companies	Agreed
			11. Vote to allow Mohammed Alfaqih to be involved with other companies	Agreed
			12. Vote to allow Faris Alhameed to be involved with other companies	Agreed
			13. Vote to allow Faris Alhameed to be involved with other companies	Agreed
			14. Vote on approving 6 related party transactions	Agreed
			15. Vote on amending articles 16, 19, 21, 26, 32, 43 and 44 of the Company's bylaws	Agreed
			16. Vote on renumbering the articles of the Company's bylaws	Agreed
			17. Vote on approving dividend distribution policy for 2018 on semi-annual basis	Agreed
NCB	Extraordinary General Assembly Meeting	15-May-18		
Dallah Healthcare	Extraordinary General Assembly Meeting	22-May-18		

Savola Group	Ordinary General Assembly Meeting	27-May-18	1. Vote on Company's financials of 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on the BoD report for FY 2017	Agreed
			4. Vote on the distribution of cash dividends for 2017	Agreed
			5. Vote on discharging BoD members from liability for 2017	Agreed
			6. Vote on the recommendation to pay SAR 2.2 Mn as a remuneration to BoD for FY 2017	Agreed
			7. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			8. Vote on appointing Dr. Amr Kurdi as a member of the Audit committee	Agreed
			9. Vote on approving 15 related party transactions	Agreed
SGS	Ordinary General Assembly Meeting	27-May-18	1. Vote on Company's financials of 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on the BoD report for FY 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			6. Vote on approving dividend distribution policy for 2018 on semi-annual basis or quarterly basis	Agreed
			7. Vote on the distribution of cash dividends for Q4 2017	Agreed
			8. Vote on approving 23 related party transactions	Agreed
			9. Vote to allow Ayidh Aljueid to be involved with other companies	Agreed
			10. Vote to allow Atian Alhazmi to be involved with other companies	Agreed
			11. Vote to allow Amr Jafri to be involved with other companies	Agreed
			12. Vote to allow Mohammed Alsalami to be involved with other companies	Agreed
AlRajhi Takaful	Ordinary General Assembly Meeting	30-May-18	1. Vote on the BoD report for FY 2017	Agreed
			2. Vote on Auditor's report for 2017	Agreed
			3. Vote on Company's financials of 2017	Agreed
			4. Vote on discharging BoD members from liability for 2017	Agreed
			5. Vote on the recommendation to pay SAR 1.1 Mn as a remuneration to BoD for FY 2017	Agreed
			6. Vote on amending the corporate governance code	Agreed
			7. Vote on the election of BoD members for a 3-year term	Agreed
			8. Vote on the election of Audit committee members for a 3-year term	Agreed
			9. Vote on the recommendation of BoD to appoint external auditors for 2018	Agreed
			10. Vote on the election of Salih Al Zameea as a BoD member replacing Steve Bertamini	Agreed
			11. Vote on authorizing the board to operate from April 15th until date of the AGM	Agreed
			12. Vote on approving 11 related party transactions	Agreed
Mouwasat	Extraordinary General Assembly Meeting	3-Jun-18	1. Vote on the recommendation of BoD to increase the Company's capital from SAR 500 Mn to SAR 1 Bn (one bonus share for every one share held)	Agreed
			2. If the above point is approved, then shareholders will vote to amend article 6 and 7 of the Company's bylaws to reflect the company's increased share capital	Agreed
			3. Vote on amending articles 29, 40 and 44 of the Company's bylaws	Agreed
STC	Ordinary General Assembly Meeting	7-Jun-18	1. Vote on electing Audit committee members, approve its charter and remuneration of its members	Agreed
Middle East Healthcare Co.	Ordinary General Assembly Meeting	24-Jun-18	1. Vote on Auditor's report for 2017	Agreed
			2. Vote on Company's financials of 2017	Agreed
			3. Vote on the BoD report for FY 2017	Agreed

			4. Vote on the distribution of cash dividends for 2017	Agreed
			5. Vote on the recommendation of BoD to appoint external auditors for 2018 and Q1 2019	Agreed
			6. Vote on discharging BoD members from liability for 2017	Agreed
			7. Vote on the recommendation to pay SAR 1.68 Mn as a remuneration to BoD for FY 2017	Agreed
			8. Vote on approving 20 related party transactions	Agreed
MEPCO	Ordinary General Assembly Meeting	29-Oct-18	1. Vote on approving dividend distribution policy for 2018 on semi-annual basis or quarterly basis	Agreed
			2. Vote on electing Waleed Shukri as a member of the board	Agreed
			3. Elect Waleed Shukri as a member of the audit committee	Agreed
Bupa Arabia	Extraordinary General Assembly Meeting	22-Nov-18	1. Vote on the approval to increase the company's capital from SAR 800 Mn to SAR 1.2 Bn through offering one bonus share for every 2 shares owned.	Agreed
			2. Vote on the appointment of Martin Houston, non-executive, as a board of director member as a replacement of the resigned board member Aamer Alireza	Agreed
			3. Vote on the appointment of Sulaiman Alkahtani as a member of the Audit Committee	Agreed
			4. Vote on amending articles 8, 20, 30 and 43 of the Company's bylaws	Agreed
			5. Vote on approving the changes in the Executive Committee Charter	Agreed
			6. Vote on approving the changes in the Risk Management Committee Charter	Agreed
			7. Vote on approving the changes in the Nomination and Remuneration Committee	Agreed
			8. Vote on approving the changes in the Investment Committee Charter	Agreed
			9. Vote on approving the Audit Committee Charter	Agreed
			10. Vote on approving the changes in BoD Charter	Agreed
			11. Vote on approving the changes in the Code of Corporate Governance	Agreed
			12. Vote on approving 3 related party transactions	Agreed
Etihad Etisalat Co.	Extraordinary General Assembly Meeting	28-Nov-18	1. Vote on the election of BoD	Agreed
			2. Vote on amending of the Audit committee charter	Agreed
			3. Vote on amending nomination and remuneration committee charter	Agreed
			4. Vote on electing audit committee members, approve its charter and remuneration of its members	Agreed
			5. Vote on amending articles 27, 33, 39, 43 and 44 of the Company's bylaws	Agreed
Leejam Sports Co.	Extraordinary General Assembly Meeting	9-Dec-18	1. Vote on amending articles 3, 4, 10, 12-18, 20-23, 25, 26, 33-37, 41, 44, 46, 47 and 49-52 of the Company's bylaws	Agreed
			2. Vote on the approval of numbering the Company's AoA	Agreed
			3. Vote on approving early Board end of term	Agreed
			4. Vote on the election of BoD members	Agreed
			5. Vote on electing Audit Committee members, approve the Audit Committee Charter and the remuneration of its members	Agreed
			6. Vote on approving allocation of income and dividends for 2019	Agreed
			7. Vote on the election of Tariq Al Naeem as a BoD member	Agreed
			8. Vote on the election of Mohammed Al Qnani as outside member of the Audit Committee	Agreed
			9. Vote on approving remuneration of BoD and Committee members	Agreed
Banque Saudi Fransi	Ordinary General Assembly Meeting	11-Dec-18	1. Vote on the election of BoD members for a three-year term	Agreed
			2. Vote on the formation of the Audit Committee	Agreed
SACO	Extraordinary General Assembly Meeting	17-Dec-18	1. Vote on increasing the Company's capital from SAR 240 Mn to SAR 360 Mn, through offering one bonus share for every two shares owned.	Agreed
			2. Vote on amending articles 3, 7, 28, 39 and 43 of the Company's Bylaws	Agreed
Bank Aljazira	Extraordinary General Assembly Meeting	19-Dec-18	1. Vote on the election of BoD	Agreed
			2. Vote on the formation of the Audit Committee members, approve its Charter and the remuneration of its members	Agreed

3. Vote on amending article 44 of the Company's bylaws

Agreed

4. Vote on approving the dividend distribution policy on semi-annual basis or quarterly basis

Agreed

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## 6. Fund Board Resolutions

In 2018, the Fund's board held its meetings on 15 May and 27 of November and the following resolutions were approved:

### **Board meeting held on 15 of May 2018:**

- The minutes of the previous board meeting were ratified;
- Approval of waiver of management fee by 0.5% up to 31 Dec 2019;
- Approval of updated fee schedule with HSBC;
- Approval of auditor engagement;
- Approval the updated Information Memorandum and Terms and Conditions of the Fund.

### **Board meeting held on 27 November 2018:**

- The minutes of the previous board meeting were ratified
- Approval of E&Y Engagement Letter as the auditor for 2018;
- Approval of the change in Investment Limit.

## C. Fund Manager

### 1. A review of the investment activities during the period.

#### **Portfolio Activity**

In this section we discuss some of the portfolio activities. Similar to 2017, during 2018 also, we increased our allocation to the banking sector on improvements in net interest margin following the increasing interest rates and improving economic environment. We increased our allocation to the hotels & restaurants sector in selected name which offered exposure to the Saudi domestic story. On the other hand, we reduced allocation to the real estate sector on continued weakness in earnings. Fund continues to carry an underweight position in the cement sector on weak outlook due to excess supply and lower demand that has resulted in declining cement prices.

### 2. A write-up of the investment fund's performance during the period.

#### **Performance Review**

During the calendar year 2018, the Fund returned 17.8% (net of fees), while the benchmark (TASI) rose by 8.3%. Both Stock selection and allocation contributed positively to returns. The largest positive contributions were from the Materials sector, followed by the Real estate and Banking sectors. On the other hand, the Health care and Transportation sectors contributed negatively.



**3. Details of any material changes made during the period.**

There were no material changes during the period.

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

The ongoing charges figure incorporates a fee reduction effective 1 June 2018 by way of a waiver of 0.50% until 31 December 2019. This fee reduction will expire 1 January 2020. The reduced management fee is 1.25% per annum.

Effective 1 Dec 2018, the per-stock investment limit has been changed from total market capitalization to Tadawul All Share Index weight.

**5. A statement on any special commission received by the fund manager during the period.**

No special commission was received by the fund manager during the period.

## Custodian

**Brief description of its duties and responsibilities,**

The custodian is a service provider to the Fund in line with **Articles 22 to 29 of the Investment Fund Regulations** issued by the Capital Market Authority. Please find below a brief summary of the responsibilities of the custodian:

- Opening of segregated accounts for the Fund in the name of the custodian for the benefit of the specific Fund;
- Safekeeping and periodic reconciliation of assets under custody;
- Movement of Funds for Fund's investment and Operational purposes based on Fund Manager instructions;
- Settlement of trades after execution and handling of corporate actions in the Fund portfolio based on Fund Manager instructions;
- Providing periodic Statements to the Fund Manager and the Fund's auditors; and
- Complying with client money rules and Investment Account Instructions issued by the CMA.

The Custodian confirms that above mentioned responsibilities have been duly complied.

The Custodian does not have any opinion on the below aspects:

- issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds regulations and the fund's Terms and Conditions;
- Valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations, the fund's Terms and Conditions and the Information memorandum;
- breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment Fund Regulations.

## Auditor

The Audited Financial Statements and Audit Opinion for the year ending 31 December 2018 are as follows:

### **Opinion**

“We have audited the financial statements of Morgan Stanley Saudi Equity Fund (the “Fund”) managed by Morgan Stanley Saudi Arabia Company (the “Fund Manager”), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of cash flows and statement of changes in equity 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 present fairly, in all material respects, the financial position of the Fund as at 31 December 2018, and its financial performance and its 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 that are endorsed by the Saudi Organization for Certified Public Accountants.”