

**AZ Fund 3**  
**Umbrella Collective Investment Funds**

R.C.S. Luxembourg: K1953

Annual Report and audited financial statements for the period from April 23, 2019  
(date of inception) to December 31, 2019

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\* Sub-Fund launched on June 26, 2019.

## Organisation of the Fund

### *Management Company*

R.C.S. B 73.617

AZ Fund Management S.A.  
35, avenue Monterey  
L-2163 Luxembourg  
Grand Duchy of Luxembourg

### *Management Company Board of Directors*

#### *Chairman of the Board of Directors*

**Mr. Alessandro Zambotti**, Financial Manager of Azimut Holding S.p.A. and member of the Board of Directors of AZ International Holdings S.A., of Azimut Holding S.p.A., of CGM Italia SGR S.p.A., Azimut Libera Impresa SGR S.p.A., of CGM Azimut Monaco S.A.M. and Vice-President of Azimut Capital Management SGR S.p.A.

#### *Members of the Board of Directors*

**Mr. Giorgio Medda**, Chief Executive Officer of AZ Fund Management S.A., member of the Board of Directors of AZ International Holdings S.A., member of the Board of Directors of Azimut Portföy A.Ş., member of the Board of Directors of Azimut (DIFC) Limited, member of the Board of Directors of AZIMUT Holding S.p.A.

**Mr. Claudio Basso**, Senior Fund Manager and Chief Investment Officer of AZ Fund Management S.A., member of the Board of Directors of AZ International Holdings S.A., of Katarsis Capital Advisors S.A., of CGM Azimut Monaco S.A.M. and AZ Life Dac

**Mr. Ramon Spano**, Senior Fund Manager of AZ Fund Management S.A.

**Mr. Marco Vironda**, Fund Manager of AZ Fund Management S.A.

**Mr. Giuseppe Pastorelli**, Portfolio Manager of AZ Fund Management S.A.

**Mr. Saverio Papagno**, Senior Analyst of AZ Fund Management S.A.

**Mr. Davide Rallo**, Legal Manager of AZ Fund Management S.A.

**Mr. Andrea Aliberti**, General Manager and Chief Investment Officer of AZ Fund Management S.A., member of the Board of Directors of Azimut Holding S.p.A., of AZ International Holdings S.A., of Katarsis Capital Advisors S.A. and member of the Board of Directors and Co-CEO of Azimut Capital Management SGR S.p.A. (until June 26, 2019)

**Mr. Giacomo Mandarinò**, member of the Board of Directors of AZ Life Dac and President of Eskatos Capital Management S.à r.l. (until July 8, 2019)

**Ms. Raffaella Sommariva**, Senior Fund Manager of AZ Fund Management S.A. and member of the Board of Directors of AZ International Holdings S.A. and Eskatos Capital Management S.à r.l. (until June 26, 2019)

**Organisation of the Fund (continued)*****Investment Manager***

Azimut (DIFC) Limited  
Central Parks Towers  
Unit 45, Floor 16  
Dubai International Financial Centre  
PO Box 506944 Dubai  
United Arabia Emirates

***Investment Advisers***

Al Mal Capital PSC  
48, Burj Gate, Downtown Dubai, Sheikh Zayed Road, Office 901  
P.O.Box 119930 Dubai  
United Arab Emirates

***Depository and Paying Agent***

BNP Paribas Securities Services, Luxembourg Branch  
60, avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

***Administrative Agent***

BNP Paribas Securities Services, Luxembourg Branch  
60, avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

***Registrar and Transfer Agent***

BNP Paribas Securities Services, Luxembourg Branch  
60, avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

***Fund Auditor***

Ernst & Young S.A.  
35E, avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

## Information to Unitholders

### 1. Periodic reports

Annual report and audited financial statements as at 31 December and unaudited interim reports as at 30 June as well as the list of changes (purchases and sales of securities) made in the composition of the investment portfolio will be kept at Unitholders' disposal free of charge, at the registered offices of the Central Administration, the Management Company and the Depositary Bank.

The interim report includes the Fund's unaudited financial statements.

The financial statements are prepared in the reference currency of the Sub-Fund, which is in USD.

The annual report is available within four months following the closing date of the financial year. The interim accounts are published within two months of the end of the half-year in question.

### 2. Information to Unitholders

#### a. Net asset value

The net asset value of the Sub-Fund Unit will be available each banking day in Luxembourg at the registered offices of the Central Administration, the Management Company and the Depositary Bank.

It will also be published on the website: <http://www.azimut.it/prodotti/fondi-azimut/comparti-lussemburghesi>

#### b. Notification to Unitholders

Other information intended for unitholders will be published in a Luxembourg newspaper and in the press of the countries where Fund units are marketed.

#### c. Investment Advisors

The Investment Advisors of the Sub-Fund are available in the prospectus.

The Prospectus can be consulted on the website: <http://www.azimut.it/prodotti/fondi-azimut/comparti-lussemburghesi>

## Directors Report

2019 was an excellent year for Global Equities. Among the major markets, the US led with a stellar 29% return, while the MSCI Emerging market Index delivered 16%. Strong gains were recorded across the globe including in UK, Germany, Australia & Japan. However not all these economies are in the best of shape. The bull run has been driven primarily by ultra-low borrowing costs by central banks. Even though the MENA region lagged its peers, it still generated a decent 8.3%, the best in the last six years. Crude Oil is closing the year at USD 68 a barrel, 27% higher than the beginning of the year.

Since the launch of the AZ Al Mal MENA Equity Fund at end of June, for the six months period until the year end, Middle Eastern equity markets delivered a return of -0.90% as measured by the S&P Pan Arab Index. This was after a strong first half return of +9.3% propelled by the inclusion of Saudi Arabia & Kuwait within the Emerging Markets Indices of MSCI & FTSE. The second half of the year also saw liquidity flowing out of the large caps to make room for the Aramco IPO.

The Fund performance for the period is in line with the benchmark (-0.70%) however to be noted that this is after all fees & transaction costs related to the initial portfolio construction. Our underweight in Saudi Arabia helped, while the overweight to UAE & Egypt hurt us a bit. Our strategy continues to aim outperforming the broader market and create alpha through stock picking, at the same time limit the active share & maintain a highly liquid portfolio.

### COVID-19

Since the beginning of 2020, a health crisis linked to the coronavirus has occurred. The spread of the COVID-19 coronavirus has had a significant impact on financial markets and the economy in general. Even though there is no impact as of December 31, 2019, as of the date of this report, we have already observed significant corrections on the financial markets, but it is not possible to assess the detailed and final impact of this crisis on the Fund. As we observe growing concerns about the impact on the global economy, the Board of Directors continues to monitor governments' efforts to contain the spread of the virus and monitor the economic impact on our society.

The Luxembourg regulator (CSSF) is also very active and approaches regularly the Management Company, requesting recurring or specific analysis with regards to Liquidity Risk, evolution of Assets Under Management or the Business Continuity plan in place. The economic situation in the current epidemic context remains uncertain.

The Board of Directors,

Luxembourg, April 30, 2020

Note: The information stated in the report is historical and is not representative of future results.

## Independent auditor's report

To the Unitholders of  
AZ Fund 3

### Opinion

We have audited the financial statements of AZ Fund 3 (the "Fund"), which comprise the statement of net assets and the securities portfolio as at December 31, 2019, and the statement of operations and changes in net assets for the period from April 23, 2019 (date of inception) to December 31, 2019, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at December 31, 2019, and of the results of its operations and changes in its net assets for the period from April 23, 2019 (date of inception) to December 31, 2019 in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

### Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (the "Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of July 23, 2016 and ISAs are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Board of Directors of the Management Company of the Fund (the "Board of Directors") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

## **Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

## **Responsibilities of the “réviseur d'entreprises agréé” 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 a report of the “réviseur d'entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, 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 the Board of Directors.
- Conclude on the appropriateness of Board of Directors' 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 report of the “réviseur d'entreprises agréé” 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 report of the “réviseur d'entreprises agréé”. 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 a manner that achieves fair presentation.

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.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Jean-Marc Cremer

Luxembourg, April 30, 2020

# AZ Fund 3

## Statistics

		December 31, 2019	December 31, 2018	December 31, 2017
<b>AZ Fund 3 - Al Mal MENA Equity*</b>				
<b>Net Asset Value</b>	USD	48,841,352.55	-	-
<b>Net asset value per unit</b>				
A-INST (USD)	USD	4.97	-	-
<b>Number of units</b>				
A-INST (USD)		9,837,832.99	-	-

\* Sub-Fund launched on June 26, 2019.

The accompanying notes are an integral part of these financial statements.

## Combined Statement

## Statement of Net Assets as at December 31, 2019

	Notes	EUR
<b>Assets</b>		
Investment in securities at cost		40,240,658.08
Unrealised appreciation / (depreciation) on securities		1,266,585.22
Investment in securities at market value	2.c	41,507,243.30
Cash at bank		3,825,614.94
Receivable for investment sold		1,753,376.33
Dividends and interest receivable		13,600.76
<b>Total assets</b>		<b>47,099,835.33</b>
<b>Liabilities</b>		
Bank overdraft		1,445,085.15
Accrued expenses		58,732.74
Payable for investment purchased		2,084,790.07
<b>Total liabilities</b>		<b>3,588,607.96</b>
<b>Net assets at the end of the period</b>		<b>43,511,227.37</b>

## Statement of Operations and Changes in Net Assets for the period from April 23, 2019 (date of inception) to December 31, 2019

	Notes	EUR
<b>Income</b>		
Dividends (net of withholding taxes)		143,757.19
Bank interest	2.d	63,418.66
Income on Contracts for Difference		137,335.58
<b>Total income</b>		<b>344,511.43</b>
<b>Expenses</b>		
Management fees	3	176,666.63
Depositary fees	4	38,033.21
Administration fees	5	92,252.89
Professional fees		26,204.81
Transaction costs	7	126,697.84
Taxe d'abonnement	6	2,359.39
Bank interest and charges		8,550.13
Expenses on Contracts for Difference		127,814.25
Printing & Publication fees		1.41
Other expenses	8	12,305.83
<b>Total expenses</b>		<b>610,886.39</b>
<b>Net investment income / (loss)</b>		<b>(266,374.96)</b>
Net realised gain / (loss) on:		
Investments		(329,161.60)
Foreign currencies transactions		15,323.11
Contracts for Difference	2.d	(1,112,783.75)
<b>Net realised gain / (loss) for the period</b>		<b>(1,692,997.20)</b>
Net change in unrealised appreciation / (depreciation) on:		
Investments		1,266,585.22
<b>Increase / (Decrease) in net assets as a result of operations</b>		<b>(426,411.98)</b>
Proceeds received on subscription of units	2	43,937,639.35
Net amount paid on redemption of units		-
Net assets at the beginning of the period		-
<b>Net assets at the end of the period</b>		<b>43,511,227.37</b>

The accompanying notes are an integral part of these financial statements.

## AZ Fund 3 - Al Mal MENA Equity\* (in USD)

## Statement of Net Assets as at December 31, 2019

	Notes	USD
<b>Assets</b>		
Investment in securities at cost		45,170,138.54
Unrealised appreciation / (depreciation) on securities		1,421,741.90
Investment in securities at market value	2.c	46,591,880.44
Cash at bank		4,294,252.76
Receivable for investment sold		1,968,164.92
Dividends and interest receivable		15,266.85
<b>Total assets</b>		<b>52,869,564.97</b>
<b>Liabilities</b>		
Bank overdraft		1,622,108.08
Accrued expenses		65,927.50
Payable for investment purchased		2,340,176.84
<b>Total liabilities</b>		<b>4,028,212.42</b>
<b>Net assets at the end of the period</b>		<b>48,841,352.55</b>

\* Sub-Fund launched on June 26, 2019.

## Statement of Operations and Changes in Net Assets for the period from April 23, 2019 (date of inception) to December 31, 2019

	Notes	USD
<b>Income</b>		
Dividends (net of withholding taxes)		161,367.45
Bank interest	2.d	71,187.44
Income on Contracts for Difference		154,159.19
<b>Total income</b>		<b>386,714.08</b>
<b>Expenses</b>		
Management fees	3	198,308.29
Depositary fees	4	42,692.28
Administration fees	5	103,553.87
Professional fees		29,414.90
Transaction costs	7	142,218.33
Taxe d'abonnement	6	2,648.42
Bank interest and charges		9,597.52
Expenses on Contracts for Difference		143,471.49
Printing & Publication fees		1.58
Other expenses	8	13,813.29
<b>Total expenses</b>		<b>685,719.97</b>
<b>Net investment income / (loss)</b>		<b>(299,005.89)</b>
Net realised gain / (loss) on:		
Investments		(369,483.90)
Foreign currencies transactions		17,200.19
Contracts for Difference	2.d	(1,249,099.75)
<b>Net realised gain / (loss) for the period</b>		<b>(1,900,389.35)</b>
Net change in unrealised appreciation / (depreciation) on:		
Investments		1,421,741.90
<b>Increase / (Decrease) in net assets as a result of operations</b>		<b>(478,647.45)</b>
Proceeds received on subscription of units	2	49,320,000.00
Net amount paid on redemption of units		-
Net assets at the beginning of the period		-
<b>Net assets at the end of the period</b>		<b>48,841,352.55</b>

## Statement of Changes in Number of Units

	Number of units in issue at the beginning of the period	Number of units subscribed	Number of units redeemed	Number of units in issue at the end of the period
A-INST (USD)	-	9,837,832.99	-	9,837,832.99

The accompanying notes are an integral part of these financial statements.

## AZ Fund 3 - Al Mal MENA Equity\* (in USD)

## Securities Portfolio as at December 31, 2019

## Summary of net assets

Quantity/ Nominal	Name	Currency	Market value in USD	% NAV
Transferable securities admitted to an official exchange listing or dealt in on another regulated market				
Shares				
<b>Banks</b>				
148,924.00	AL RAJHI BANK	SAR	2,596,324.79	5.32
90,067.00	ALINMA BANK	SAR	608,639.65	1.25
208,326.00	BANK AL-JAZIRA	SAR	835,233.47	1.71
81,641.00	BANQUE SAUDI FRANSI	SAR	824,829.35	1.69
211,619.00	COMMERCIAL INTERNATIONAL BAN	EGP	1,094,615.89	2.24
526,834.00	EMIRATES NBD PJSC	AED	1,864,551.41	3.82
288,143.00	FIRST ABU DHABI BANK PJSC	AED	1,189,226.26	2.43
477,913.00	KUWAIT FINANCE HOUSE	KWD	1,277,917.26	2.62
1,299,543.00	MASRAF AL RAYAN	QAR	1,413,408.02	2.89
862,026.00	NATIONAL BANK OF KUWAIT	KWD	3,041,145.40	6.23
104,328.00	NATIONAL COMMERCIAL BANK	SAR	1,369,694.45	2.80
379,816.00	QATAR NATIONAL BANK	QAR	2,147,886.43	4.40
181,130.00	RIYAD BANK	SAR	1,158,825.94	2.37
96,952.00	SAMBA FINANCIAL GROUP	SAR	838,664.10	1.72
			<b>20,260,962.42</b>	<b>41.49</b>
<b>Chemical</b>				
725,161.00	EGYPT KUWAIT HOLDING CO SAE	USD	957,937.68	1.96
325,159.00	INDUSTRIES QATAR	QAR	918,059.03	1.88
76,149.00	SAUDI ARABIAN FERTILIZER CO	SAR	1,573,194.74	3.22
58,335.00	SAUDI ARABIAN MINING CO	SAR	690,444.46	1.41
65,813.00	SAUDI BASIC INDUSTRIES CORP	SAR	1,647,380.26	3.38
			<b>5,787,016.17</b>	<b>11.85</b>
<b>Distribution &amp; Wholesale</b>				
508,000.00	AL-HASSAN G.I. SHAKER CO	SAR	1,473,361.06	3.02
41,047.00	JARIR MARKETING CO	SAR	1,812,000.58	3.71
65,419.00	UNITED ELECTRONICS CO	SAR	1,306,177.80	2.67
			<b>4,591,539.44</b>	<b>9.40</b>
<b>Diversified services</b>				
109,770.00	DP WORLD PLC	USD	1,437,987.00	2.94
103,160.00	HUMANSOFT HOLDING CO KSC	KWD	1,024,470.23	2.10
75,118.00	LEEJAM SPORTS CO JSC	SAR	1,623,982.89	3.33
			<b>4,086,440.12</b>	<b>8.37</b>
<b>Real estate</b>				
344,755.00	BARWA REAL ESTATE CO	QAR	335,193.47	0.69
161,411.00	DAR AL ARKAN REAL ESTATE DEV	SAR	473,306.42	0.97
1,245,586.00	EMAAR PROPERTIES PJSC	AED	1,363,191.87	2.79
2,556,059.00	ORASCOM HOTELS AND DEVELOPMENT	EGP	1,086,124.50	2.22
			<b>3,257,816.26</b>	<b>6.67</b>
<b>Energy</b>				
78,405.00	SAUDI ARABIAN OIL CO	SAR	736,748.84	1.51
310,000.00	SAUDI INDUSTRIAL SERVICES CO	SAR	1,619,699.11	3.31
			<b>2,356,447.95</b>	<b>4.82</b>
<b>Telecommunication</b>				
199,413.00	EMIRATES TELECOM GROUP CO	AED	888,165.67	1.82
46,294.00	SAUDI TELECOM CO	SAR	1,256,287.57	2.57
			<b>2,144,453.24</b>	<b>4.39</b>
<b>Financial services</b>				
1,242,275.00	AVIATION LEASE AND FINANCE C	KWD	1,114,088.50	2.28
120,921.00	SAUDI IND INVESTMENT GROUP	SAR	773,623.32	1.58
			<b>1,887,711.82</b>	<b>3.86</b>
<b>Building materials</b>				
179,949.00	ORASCOM CONSTRUCTION PLC	EGP	1,115,121.66	2.28
			<b>1,115,121.66</b>	<b>2.28</b>
<b>Cosmetics</b>				
2,939,500.00	CLEOPATRA HOSPITAL	EGP	1,104,371.36	2.26
			<b>1,104,371.36</b>	<b>2.26</b>
			<b>46,591,880.44</b>	<b>95.39</b>
<b>Total securities portfolio</b>			<b>46,591,880.44</b>	<b>95.39</b>

		% NAV
<b>Total securities portfolio</b>	<b>46,591,880.44</b>	<b>95.39</b>
<b>Cash at bank</b>	<b>2,672,144.68</b>	<b>5.47</b>
<b>Other assets and liabilities</b>	<b>(422,672.57)</b>	<b>(0.86)</b>
<b>Total net assets</b>	<b>48,841,352.55</b>	<b>100.00</b>

\* Sub-Fund launched on June 26, 2019.

The accompanying notes are an integral part of these financial statements.

## AZ Fund 3 - Al Mal MENA Equity\* (in USD)

## Portfolio Breakdowns

Nature allocation	% of portfolio	% of net assets
Shares	100.00	95.39
	<b>100.00</b>	<b>95.39</b>

Country allocation	% of portfolio	% of net assets
Saudi Arabia	49.83	47.54
United Arab Emirates	16.87	16.08
Kuwait	13.86	13.23
Qatar	10.33	9.86
Egypt	9.11	8.68
	<b>100.00</b>	<b>95.39</b>

## Top Ten Holdings

Top Ten Holdings	Sector	Market value USD	% of net assets
NATIONAL BANK OF KUWAIT	Banks	3,041,145.40	6.23
AL RAJHI BANK	Banks	2,596,324.79	5.32
QATAR NATIONAL BANK	Banks	2,147,886.43	4.40
EMIRATES NBD PJSC	Banks	1,864,551.41	3.82
JARIR MARKETING CO	Distribution & Wholesale	1,812,000.58	3.71
SAUDI BASIC INDUSTRIES CORP	Chemical	1,647,380.26	3.38
LEEJAM SPORTS CO JSC	Diversified services	1,623,982.89	3.33
SAUDI INDUSTRIAL SERVICES CO	Energy	1,619,699.11	3.31
SAUDI ARABIAN FERTILIZER CO	Chemical	1,573,194.74	3.22
AL-HASSAN G.I. SHAKER CO	Distribution & Wholesale	1,473,361.06	3.02

The accompanying notes are an integral part of these financial statements.

## Notes to the financial statements as at December 31, 2019

### Note 1. General information

AZ Fund 3 (the "Fund") is organised under the laws of the Grand Duchy of Luxembourg as a mutual investment fund (*fonds commun de placement*) and is an unincorporated co-proprietorship of its securities and other permitted assets, managed in the interest of its Unitholders by the Management Company. The Fund qualifies as an umbrella fund authorised, pursuant to Part I of the 2010 Law, and has been created in accordance with its Management Regulations dated April 23, 2019 and published in the *Recueil Electronique des Sociétés et Associations* (RESA) on April 24, 2019.

The business purpose of the Management Company is the collective management of UCITS established under Luxembourg or foreign law, pursuant to Directive 2009/65/EC as amended or replaced as well as other undertakings for collective investment or mutual funds under Luxembourg law and/or foreign law that are not included in mentioned directive. The Management Company may also employ all techniques related to the administration and management of the Fund for its business purposes, in accordance with its Articles of Association and Management Regulations.

As at December 31, 2019, the Fund AZ Fund 3 - Al Mal MENA Equity, which is denominated in USD (launched on June 26, 2019) is active and can offer the following unit classes in different currencies:

Unit classes	Reference currency
A (ACC)	AED, CHF, EUR, GBP and USD
A (DIS)	
A-INST (ACC)	
A-INST (DIS)	
A-PLATFORMS (ACC)	
A-PLATFORMS (DIS)	
B (ACC)	
B (DIS)	

### Note 2. Significant accounting principles

All securities held by the Fund at period end have been valued based on closure prices as at December 31, 2019.

The Fund's financial statements are prepared in accordance with the regulations in force in Luxembourg regarding Undertakings for Collective Investment.

#### a) Combined statements for the Fund

AZ Fund 3 combined financial statements are expressed in EUR. Sub-Fund(s) denominated in currencies other than EUR have been converted in EUR at the exchange rate of December 31, 2019.

#### b) Currency translation

At the closing date, valuation of securities (determined in the manner described below), receivables, bank deposits and debts denominated in a currency other than the Sub-Fund's one are translated into the Sub-Fund currency at the exchange rate prevailing on that date. Exchange differences arising from the translation of receivables, bank deposits and debts shall be included in the net foreign exchange result of the financial year recorded in the Statement of Operations and Changes in Net Assets under the item Net realised gain / (loss) on foreign currencies transactions.

#### c) Valuation of assets

The valuation of assets and commitments of each Sub-Fund shall be carried out as follows:

- 1) the value of liquidity held in cash or in deposits, directly payable securities and payables, advance payments, dividends and interest due but not yet collected, shall be composed of the par value of the said entries, unless it is unlikely that they will be actually received. In this case, the value shall be established by subtracting the amount deemed appropriate to reflect the real value of the assets;
- 2) the valuation of Transferable Securities and Money Market Instruments listed or traded on a stock market or other Regulated Market which operates regularly, is recognised and open to the public, is based on the price on the last Business Day ("Valuation Date" for the purpose of this section) prior to the Valuation Day. If a Transferable Security or Money Market Instrument is traded on more than one market, the valuation is based on the last known price on the relevant Valuation Date of the main market of the said security or instrument. If the last known price on the relevant Valuation Date is not representative, the valuation shall be based on the likely net breakup value, prudentially estimated in good faith;
- 3) Transferable Securities and Money Market Instruments not listed or traded on a Regulated Market which operates regularly, is recognised and open to the public, will be valued based on the estimated realisable value, prudentially estimated in good faith;
- 4) Units of UCITS and other UCIs are valued based on the last available Net Asset Value (reduced by any applicable charges);

## Notes to the financial statements as at December 31, 2019 (continued)

### Note 2. Significant accounting principles (continued)

#### c) Valuation of assets (continued)

5) assets expressed in a currency other than the Base Currency of the Sub-Fund in question shall be converted at the last available exchange rate;

6) all other assets shall be valued based on the estimated realisable value, which must be estimated with due care and in good faith.

#### d) Contracts for Difference (CFD)

A CFD is essentially a contract between the investor and the investment bank or a company carrying out spread-betting. At the end of the contract, the parties exchange the difference between the opening and closing rates of a determined financial instrument, including the units or the merchandise.

The valuation of a CFD shall reflect at all times the difference between the latest known price of the underlying security and the valuation that was taken into account when determining the transaction. Realised gains or losses and the resulting changes in unrealised gains or losses are included in the Statement of Operations and Changes in Net Assets.

#### e) Income

Bank and bond interests are recorded pro rata temporis. Dividends are recorded on the payment date net of withholding taxes.

### Note 3. Management fees and additional variable management fee

The Fund has appointed AZ Fund Management S.A. as Management Company. The Management Company is responsible for the administration of the Fund and has delegated certain administrative, distribution and investment management functions to specialised service providers. The Management Company is entitled to receive a management fee and an additional variable management fee with respect to each Sub-Fund/Class.

Management fees are payable monthly by the Sub-Fund and are calculated on the daily average net asset value of the Sub-Fund for the month ended.

Fee rates of AZ Fund 3 - Al Mal MENA Equity are as follow:

- Class A and Class B	1.50%
- Class A-PLATFORMS	2.00%
- Class A-INST	0.85%

The caption "Management fees" also contains the investment manager fees. The Investment Manager receives a fee for the provision of investment services to the Sub-Fund. Such fee is payable by the Fund and equals to an amount of up to 50% of the net management fee payable to the Management Company.

For all "PLATFORM" Classes of Units, it is foreseen to pay an additional variable management fee:

- in case of over-performance, i.e., if the change in Unit value within the reference timeframe (calendar year) exceeds the change in the reference index indicated below, within the same timeframe (calendar year). It is calculated on the last Business Day of the calendar year before the reference timeframe (calendar year); and
- if Unit value calculated at the last Business Day of the current calendar year is higher than the Unit value calculated at the last Business Day of the previous calendar year.

When the two above conditions are met, the additional fee will be 10% of said over-performance, multiplied by the number of existing Units as at the Valuation Day to which the calculation of the above fee refers to.

**Reference Index:** 100% S&P Pan Arab Composite Index (SEMGPCPD Index).

### 4. Depositary fees

The depositary bank receives an annual fee of 0.070% of the Fund's net assets.

## Notes to the financial statements as at December 31, 2019 (continued)

### Note 5. Administration fees

A maximum annual fee of 0.33% of the net assets of the Fund is paid in consideration for the administrative and organisational services provided by the Management Company and BNP Paribas Securities Services, Luxembourg Branch.

For fund accounting services, the annual fees rates are as follows:

Assets under management	Bps / annum
EUR 0 – 200 million	1.00
EUR 200 – 500 million	0.95
EUR 500 – 1 billion	0.85
above 1 billion	0.70

with a minimum of EUR 1,833 per month and per Sub-Fund. For the preparation of the annual and semi-annual reports in the language of the prospectus, a fee of EUR 5,700 per annum is charged for the first five Sub-Funds. For any new additional Sub-Fund, a fee of EUR 350 per year will be charged.

### Note 6. Taxe d'abonnement

In respect of the Luxembourg legislation and regulations in force, the Fund is subject to the "taxe d'abonnement". The annual rate is 0.05% and it is calculated and payable quarterly, on the basis of the net asset value at the end of every quarter.

According to Luxembourg tax laws, funds are subject either to an annual rate of 0.01% for institutional Units and to an annual rate of 0.05% for other Units.

This tax is reduced to 0% on the value of assets represented by Units held in other Luxembourg UCI that have already been subject to the registration tax.

### Note 7. Transaction costs

As at December 31, 2019 transaction costs posted in the Statement of Operations and Changes in Net Assets include costs for purchase and sale of shares, UCI and derivatives. For bonds, transaction expenses are included in the transaction cost.

### Note 8. Other expenses

Other expenses mainly include translation fees, VAT and stamp duty fees.

### Note 9. Exchange rates as at December 31, 2019

The following exchange rates were used to translate the investments and other assets and other liabilities denominated in currencies other than the base currency of the Sub-Fund at December 31, 2019:

1 USD =	3.673185	AED (United Arab Emirates Dirham)
1 USD =	16.050022	EGP (Egyptian Pound)
1 USD =	0.890869	EUR (Euro)
1 USD =	0.754878	GBP (British Pound)
1 USD =	0.303296	KWD (Kuwaiti Dinar)
1 USD =	3.640980	QAR (Qatari Riyal)
1 USD =	3.751314	SAR (Saudi Riyal)

### Note 10. Changes in the composition of the securities portfolio

The list of changes in the composition of the securities portfolio occurred during the financial year may be obtained free of charge upon request at the counters of the Depositary Bank and the registered office of AZ Fund Management S.A..

**Notes to the financial statements as at December 31, 2019 (continued)****Note 11. Subsequent event****COVID-19**

Since the beginning of 2020, a health crisis linked to the coronavirus has occurred. The spread of the COVID-19 coronavirus has had a significant impact on financial markets and the economy in general. Even though there is no impact as of December 31, 2019, as of the date of this report, we have already observed significant corrections on the financial markets, but it is not possible to assess the detailed and final impact of this crisis on the Fund. As we observe growing concerns about the impact on the global economy, the Board of Directors continues to monitor governments' efforts to contain the spread of the virus and monitor the economic impact on our society.

The Luxembourg regulator (CSSF) is also very active and approaches regularly the Management Company, requesting recurring or specific analysis with regards to Liquidity Risk, evolution of Assets Under Management or the Business Continuity plan in place. The economic situation in the current epidemic context remains uncertain.

**Additional information (unaudited)**

**Note 1. Remuneration**

<p>Art 151 3)a) of the amended 2010 Law The total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the Management Company and the Investment Company to its staff, and number of beneficiaries, and where relevant, any amount paid directly by the UCITS itself, including any additional management fees</p>	<p>Fixed remuneration*: EUR 4,031,974 Variable remuneration*: EUR 2,293,396 Number of beneficiaries: 35 Amount attributed to senior management: EUR 3,691,761</p>
<p>Art 151 3)b) of the amended 2010 Law The aggregate amount of remuneration broken down by categories of employees or other members of staff of the management company whose actions have a material impact on the risk profile of the UCITS</p>	<p>EUR 4,740,205 Number of beneficiaries: 23</p>
<p>Art 151 3)c) of the amended 2010 Law A description of how the remuneration and benefits have been calculated</p>	<p>The remuneration of the staff of the Management Company was based on long-term employment contracts.</p> <p>As per the Remuneration Policy, the Company can set a part of the variable remuneration to the members of the Board which will be fixed by the shareholders. The remuneration of the Board members will not be directly linked to the returns of the Company.</p> <p>As per the Remuneration Policy, the Company can also set a part of the variable remuneration of all Identified Staff other than the Board members which is a prerogative of the shareholders that has the prerogative to assess and fix the remuneration of the senior management and of the persons heading the control functions. The remuneration of the senior management and of the internal control functions is based on function-specific objectives and will not be determined by the Company's performance criteria.</p> <p>Finally, as per the Remuneration Policy, the Remuneration of the Rest of the Identified Staff the senior management has the responsibility to assess and fix the remuneration of the Identified Staff not referred to the category referred above.</p> <p>The remuneration policy is available for shareholders free of charge on simple request at the registered office of the Management Company.</p>
<p>Art 151 3)d) of the amended 2010 Law The outcome of the reviews of the remuneration policy including any irregularities that have occurred.</p>	<p>No outcome has occurred during 2019.</p>
<p>Art 151 3)e) of the amended 2010 Law Material changes to remuneration policy.</p>	<p>The Remuneration Policy has been approved by the Board of Directors on November 16, 2016.</p>

\*including Management Delegate Fees

**Additional information (unaudited) (continued)****Note 2. Risk calculation method**

In case a specific Sub-Fund uses financial derivative instruments for purposes other than hedging, the Management Company will monitor the related risk exposure and its potential affection on the overall risk profile of the Sub-Fund. As for the method for calculating the overall risk and expected leverage, the Sub-Fund relies on the absolute VaR approach.

Sub-Fund	Minimum VaR use	Average VaR use	Maximum VaR use	Model	Holding period	Confidence interval	Leverage level
AZ Fund 3 - Al Mal MENA Equity	5.55%	6.21%	8.52%	Historic%	1 month	99.00%	0.00%

**Note 3. Securities Financing Transaction Regulation (SFTR)**

At the date of the financial statements, the Fund is currently not concerned by the requirements of the SFTR regulation 2015/2365 on transparency of securities financing transactions and of reuse. Furthermore, no corresponding transactions were carried out during the period referring to the financial statements.

