

**RIYAD AMERICAN EQUITY FUND**  
**Open-Ended Fund**  
**(Managed by Riyadh Capital)**  
**Interim condensed financial statements (un-audited)**  
**For the six-month period ended 30 June 2020**  
Together with the  
**Independent Auditor's Review report to the Unitholders**

**RIYAD AMERICAN EQUITY FUND**

**Open-Ended Fund**

**(Managed by Riyadh Capital)**

**Interim Condensed Financial Statements (Un-Audited)**

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**For the six-month period ended 30 June 2020**

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# INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**TO THE UNITHOLDERS OF  
 RIYAD AMERICAN EQUITY FUND  
 Kingdom of Saudi Arabia**

## INTRODUCTION

We have reviewed the accompanying interim statement of financial position of RIYAD AMERICAN EQUITY FUND (the "Fund") managed by Riyadh Capital (the "Fund Manager") as at 30 June 2020 and the related interim statement of comprehensive (loss) / income, interim statement of changes in net assets (Equity) attributable to the unitholders and interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements 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 that are endorsed in the Kingdom of Saudi Arabia 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 statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

**For Al-Bassam & Co**

**Ibrahim Ahmed Al-Bassam**  
**Certified Public Accountant - License No. 337**

**06 Muharram 1442H**  
**25 August 2020G**  
**Riyadh, Kingdom of Saudi Arabia**



**RIYAD AMERICAN EQUITY FUND****Open-Ended Fund****(Managed by Riyadh Capital)****INTERIM STATEMENT OF FINANCIAL POSITION****As at 30 June 2020**

		<b>30 June 2020</b>	31 December 2019
		<b>(Un-Audited)</b>	<b>(Audited)</b>
	Note	USD	USD
<b>ASSETS</b>			
Cash balances	8	<b>1,127,862</b>	267,302
Investments carried at fair value through profit or loss (FVTPL)	5	<b>26,567,444</b>	28,025,140
Outstanding settlements		-	47,438
<b>Total assets</b>		<b>27,695,306</b>	28,339,880
<b>LIABILITIES</b>			
Accrued expenses	8	<b>119,116</b>	126,982
Redemption payables		-	94,876
<b>Total liabilities</b>		<b>119,116</b>	221,858
<b>Net assets (equity) attributable to the Unit holders</b>		<b>27,576,190</b>	28,118,022
Units in issue ( <i>number</i> )	6	<b>363,115.34</b>	358,706.45
<b>Net assets (equity) attributable to each unit</b>		<b>75.94</b>	78.39

**RIYAD AMERICAN EQUITY FUND****Open-Ended Fund****(Managed by Riyadh Capital)****INTERIM STATEMENT OF COMPREHENSIVE (LOSS) / INCOME (UN-AUDITED)****For the six-month period ended 30 June 2020**

		<b>30 June 2020</b>	30 June 2019
		<b>(Un-Audited)</b>	(Un-Audited)
	Note	USD	USD
<b>Income</b>			
Net realized and unrealized (loss) / gain from investments at FVTPL	7	<b>(622,925)</b>	17,623,839
		<b>(622,925)</b>	17,623,839
<b>Expenses</b>			
Other expenses	8	<b>(237,737)</b>	(922,028)
		<b>(237,737)</b>	(922,028)
<b>Net (loss) / income for the period</b>		<b>(860,662)</b>	16,701,811
Other comprehensive income		-	-
<b>Total comprehensive (loss) / income for the period</b>		<b>(860,662)</b>	16,701,811

**RIYAD AMERICAN EQUITY FUND****Open-Ended Fund****(Managed by Riyadh Capital)****INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE  
UNIT HOLDERS (UN-AUDITED)****For the six-month period ended 30 June 2020**

	<b>30 June 2020</b>	30 June 2019
	<b>(Un-Audited)</b>	(Un-Audited)
	<b>USD</b>	USD
<b>Net assets (equity) at beginning of the period</b>	<b>28,118,022</b>	94,468,134
Net (loss) / income for the period	<b>(860,662)</b>	16,701,811
<b>Total comprehensive (loss) / income for the period</b>	<b>(860,662)</b>	16,701,811
<b>Changes from unit transactions:</b>		
Issuance of units	<b>755,953</b>	61,110
Redemption of units	<b>(437,123)</b>	(3,608,574)
<b>Net changes from unit transactions</b>	<b>318,830</b>	(3,547,464)
<b>Net assets (equity) at end of the period</b>	<b>27,576,190</b>	107,622,481

**RIYAD AMERICAN EQUITY FUND****Open-Ended Fund****(Managed by Riyadh Capital)****INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)****For the six-month period ended 30 June 2020**

		<b>30 June 2020</b>	30 June 2019
		<b>(Un-Audited)</b>	(Un-Audited)
	Note	USD	USD
<b>Cash flows from operating activities:</b>			
Net (loss) / income for the period		<b>(860,662)</b>	16,701,811
Adjustments for:			
Unrealized loss / (gain) from investments at FVTPL	7	<b>630,355</b>	(17,199,810)
		<b>(230,307)</b>	(497,999)
<b>Net changes in operating assets and liabilities:</b>			
Investments carried at FVTPL		<b>827,341</b>	4,008,225
Redemptions payable		<b>(94,876)</b>	-
Accrued expenses		<b>(7,866)</b>	12,458
Outstanding settlements		<b>47,438</b>	-
<b>Net cash from operating activities</b>		<b>541,730</b>	3,522,684
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of units		<b>755,953</b>	61,110
Payments for redemptions of the units		<b>(437,123)</b>	(3,608,574)
<b>Net cash from / (used in) financing activities</b>		<b>318,830</b>	(3,547,464)
<b>Net change in cash balances</b>		<b>860,560</b>	(24,780)
Cash balances at beginning of the period		<b>267,302</b>	32,436
<b>Cash balances at end of the period</b>	8	<b>1,127,862</b>	7,656

**RIYAD AMERICAN EQUITY FUND**  
**Open-Ended Fund**  
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**Notes to the interim condensed financial statements (un-audited)**  
**For the six-month period ended 30 June 2020**  
*All amounts in USD unless otherwise stated*

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## **1- FUND AND ITS ACTIVITIES**

The Riyadh American Equity Fund (the “Fund”) is an Equity Fund Portfolio managed through an agreement between Riyadh Capital (the “Fund Manager”) and the Fund investors (the “Unitholders”). The objective of the Fund is to invest in a diversified portfolio of US companies and to provide long term capital growth through investing in the US securities managed by the Fidelity International, the Fund Sub Manager.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund’s Management prepares a separate financial statement for the Fund.

The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s Agreement, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas. Accordingly, pursuant to an agreement, dated 3 December 2002, Fidelity International acts as the Sub Fund Manager of the Fund and Brown Brothers Harriman, pursuant to an agreement, dated 22 June 2002 acts as the custodian of the Fund.

Capital Market Authority (“CMA”) approval for the establishment of the Fund was granted in its letter number 87/MA/25 dated 3 Muharram 1412H (corresponding to 14 July 1991). The Fund commenced its operations on 26 May 1992.

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) which was amended on 16 Sha’ban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia.

## **2- BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES**

### **2.1 statement of compliance**

These interim condensed financial statements have been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”)’ that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”).

These interim condensed financial statements do not include all of the information required in annual financial statements and should be read in conjunction with the annual financial statements of the Fund for the year ended 31 December 2019. The results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for the investments at fair value through profit or loss that are measured at fair value.

Assets and liabilities in the interim condensed statement of financial position are presented in the order of liquidity.

### **2.2 Basis of measurement**

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for the investments at fair value through profit or loss that are measured at fair value.



## **2- BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (CONTINUED)**

### **2.3 Functional and presentation currency**

Items included in the interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These interim condensed financial statements are presented in US Dollar (“USD”) which is the Fund’s functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into USD using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into USD using the exchange rates

Prevailing at the interim statement of financial position date. Foreign exchange gains and losses, if any, arising from translation are included in the interim statement of comprehensive income

### **2.4 New standards, interpretations and amendments**

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2019. There are new standards, amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund’s interim condensed financial statements. In the opinion of the Fund Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

## **3- CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## **4- MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES**

On each valuation day, the Sub Custodian charges the Fund custody fee at the rate of 0.005% per annum of the Fund’s net assets value. The net assets value of the fund being sub-managed and reported by the sub-custodian to the fund manager, is net of the above-mentioned fee rate. Moreover, the fund manager charges the fund a management and administration fee at the rate of 1.5% and 0.2% per annum of the fund’s net assets value which is shown in the statement of income under management fee caption.

The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, and other similar charges. These charges are not expected to exceed in total 0.2% per annum of the Fund’s net assets value.

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*All amounts in USD unless otherwise stated*

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**5- INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS**

The Fund invests primarily in equity securities of US companies. The market value of trading investment portfolio is summarized as follows:

	<b>30 June 2020</b> <b>(un-audited)</b>	31 December 2019 (audited)
Investment in US securities managed by Sub-Fund Manager	<b>25,885,954</b>	26,732,900
Others	<b>681,490</b>	1,292,240
<b>Total market value</b>	<b>26,567,444</b>	28,025,140
<b>Total cost</b>	<b>19,123,129</b>	20,492,502

**6- UNIT TRANSACTIONS**

Transactions in units for the period / year are summarized as follows:

	<b>30 June 2020</b> <b>(un-audited)</b>	31 December 2019 (audited)
	<i>(Units in numbers)</i>	
<b>Units at the beginning of the period / year</b>	<b>358,706.45</b>	1,556,633.38
Units issued	<b>9,890.71</b>	3,977.08
Units redeemed	<b>(5,481.82)</b>	(1,201,904.01)
Net change in units	<b>4,408.89</b>	(1,197,926.93)
<b>Units at the end of the period/year</b>	<b>363,115.34</b>	358,706.45

**7- NET REALIZED AND UNREALIZED (LOSS) / GAIN FROM INVESTMENTS AT FVTPL**

	<b>30 June 2020</b> <b>(un-audited)</b>	30 June 2019 (un-audited)
Realized gain	<b>7,430</b>	424,029
Unrealized (loss) / gain	<b>(630,355)</b>	17,199,810
	<b>(622,925)</b>	17,623,839

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## 8- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Fund include “Riyad Capital” being the Fund Manager and Riyadh Bank (being the shareholder of Riyadh Capital).

In the ordinary course of its activities, the Fund transacts business with related parties. The related parties’ transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund’s Board of directors.

Other expenses paid by the Fund Manager on behalf of the Fund are charged to the Fund.

As at 30 June 2020 the amount held in an investment account, was **1,127,862** (2019: 267,302).

The significant related party transactions entered into by the Fund during the period and the balances resulting from such transactions are as follows:

Related Party	Nature of transactions	Amount of transaction during the period		Closing balance Receivable / (Payable)	
		30 June 2020 (un-audited)	30 June 2019 (un-audited)	30 June 2020 (un-audited)	31 December 2019 (audited)
Riyad Capital	Expenses paid on behalf of the Fund	<b>(237,737)</b>	(922,028)	<b>(119,116)</b>	(126,982)

## 9- FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2020 (un-audited)	Amortized cost	FVTPL
<b>Assets as per statement of assets and liabilities</b>		
Cash balances	<b>1,127,862</b>	-
Investments carried at FVTPL	-	<b>26,567,444</b>
<b>Total</b>	<b>1,127,862</b>	<b>26,567,444</b>
31 December 2019 (audited)	Amortized cost	FVTPL
Assets as per statement of assets and liabilities		
Cash balances	267,302	-
Investments carried at FVTPL	-	28,025,140
Outstanding settlements	-	47,438
<b>Total</b>	<b>267,302</b>	<b>28,072,578</b>

## **10- FAIR VALUE**

All assets and liabilities for which fair value is measured or disclosed in the interim condensed financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability

Fund classifies all of its financial assets except for those carried at amortized cost, at fair value as level 2.

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting period during which the change has occurred. During the period, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

Other financial instruments such as, cash balances carried at amortized cost, carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

## **11- FINANCIAL RISK MANAGEMENT**

### **11.1 Financial risk factors**

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

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**11- FINANCIAL RISK MANAGEMENT (CONTINUED)**

**11.1 Financial risk factors (continued)**

**(a) Market risk**

*(i) Price risk*

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the interim statement of financial position date, Fund has equity investments.

The effect on the net assets value (as a result of the change in the fair value of investments as at 30 June) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows:

	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>(un-audited)</b>		<b>(audited)</b>	
	<b>Potential reasonable change %</b>	<b>Effect On NAV</b>	<b>Potential reasonable change %</b>	<b>Effect on NAV</b>
Investment in US securities	1%	<b>265,674</b>	1%	280,251

**(b) Credit risk**

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its cash balance carried at amortized cost as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>(un-audited)</b>	<b>(audited)</b>
Cash balances	<b>1,127,862</b>	267,302

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on cash balances is limited as:

- All financial assets of Funds held with counterparties with sound credit ratings.
- The fund applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

## **11- FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **11.1 Financial risk factors (continued)**

#### **(c) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units from Monday to Wednesday, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the interim statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

#### **(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

## **12- LAST VALUATION DAY**

The last valuation day of the period was 30 June 2020 (30 June 2019).

## **13- APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements were authorized for issue by the Fund Board of Directors on 25 August 2020 (corresponding to 6 Muharram 1442H).