

RIYAD AMERICAN EQUITY FUND
Open-Ended Mutual Fund
(Managed by Riyadh Capital)
Interim condensed financial information (Un-audited)
For the six-months period ended 30 June 2022
Together with the
Independent Auditor's Review Report to the Unitholders

RIYAD AMERICAN EQUITY FUND

Open-Ended Mutual Fund

(Managed by Riyadh Capital)

Interim Condensed Financial Information (Un-audited)

For the period ended 30 June 2022

PAGES

INDEPENDENT AUDITOR'S REVIEW REPORT	1
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION	2
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME / (LOSS)	3
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS	4
INTERIM CONDENSED STATEMENT OF CASH FLOWS	5
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION	6 - 11



Report on review of Interim Condensed Financial Information

To the Unitholders and the Fund Manager of
Riyad American Equity Fund

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Riyadh American Equity Fund (the "Fund") as of 30 June 2022 and the related interim condensed statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period then ended and other explanatory notes ("interim condensed financial information"). The Fund Manager is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as 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 information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Bader I. Behmohareb
License Number 471

15 August 2022

(17 Muharram 1444H)



RIYAD AMERICAN EQUITY FUND
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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(All Amounts in US Dollars unless otherwise stated)

	Note	As at 30 June 2022 (Un-audited)	As at 31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	6, 11	192,266	153,457
Investments carried at fair value through profit or loss (FVPL)	7	3,711,508	4,932,128
Outstanding settlements		12,314	35,072
Total assets		3,916,088	5,120,657
LIABILITIES			
Management fees payable		38,659	28,445
Accrued expenses		9,922	10,334
Redemptions payable		260,433	70,144
Total liabilities		309,014	108,923
Equity attributable to the unitholders		3,607,074	5,011,734
Units in issue (number)	8	33,751.3900	40,436.78
Equity attributable to each unit		106.87	123.94

The accompanying notes 1 to 15 form an integral part of these interim condensed financial information.

RIYAD AMERICAN EQUITY FUND
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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME / (LOSS) (UN-AUDITED)

(All Amounts in US Dollars unless otherwise stated)

		For the six-month period ended	
	Note	30 June 2022	30 June 2021
<u>Investment income</u>			
Net (loss) /gain from investments carried at FVPL	9	(570,093)	4,497,754
		(570,093)	4,497,754
<u>Expenses</u>			
Fund Management fees	11	(38,739)	(298,386)
Other expenses	10	(9,842)	(48,789)
		(48,581)	(347,175)
Net (loss) /income for the period		(618,674)	4,150,579
Other comprehensive income for the period		-	-
Total comprehensive (loss)/ income for the period		(618,674)	4,150,579

The accompanying notes 1 to 15 form an integral part of these interim condensed financial information.

RIYAD AMERICAN EQUITY FUND
Open-Ended Mutual Fund
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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (UN-AUDITED)

(All Amounts in US Dollars unless otherwise stated)

	For the six-month period ended	
	30 June 2022	30 June 2021
Equity attributable to the Unitholders at the beginning of the period	5,011,734	33,013,526
Total comprehensive (loss)/ income for the period	(618,674)	4,150,579
Subscriptions and redemptions by the Unitholders		
Subscription of units	898,674	846,577
Redemption of units	(1,684,660)	(570,107)
Net changes from unit transactions	(785,986)	276,470
Equity attributable to the Unitholders at the end of the period	3,607,074	37,440,575

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RIYAD AMERICAN EQUITY FUND
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)

(All Amounts in US Dollars unless otherwise stated)

		For the six-month period ended	
	Note	30 June 2022	30 June 2021
Cash flows from operating activities:			
Net (loss)/ income for the period		(618,674)	4,150,579
Adjustments for:			
Unrealized (gain)/ loss from investments carried at FVPL	9	502,819	(4,469,217)
		(115,855)	(318,638)
Net changes in operating assets and liabilities:			
Investments carried at FVPL		717,801	268,530
Management fees payable		10,214	-
Accrued expenses		(412)	22,679
Outstanding settlements		22,758	-
Net cash generated from/ (used in) operating activities		634,506	(27,429)
Cash flows from financing activities:			
Proceeds from issuance of units		898,674	846,577
Redemptions of the units		(1,494,371)	(570,107)
Net cash (used in)/ generated from financing activities		(595,697)	276,470
Net changes in cash and cash equivalents			
		38,809	249,041
Cash and cash equivalents at beginning of the period		153,457	991,789
Cash and cash equivalents at end of the period		192,266	1,240,830

The accompanying notes 1 to 15 form an integral part of these interim condensed financial information.

RIYAD AMERICAN EQUITY FUND
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Notes to the interim condensed financial information (Un-audited)
For the six-month period ended 30 June 2022
(All Amounts in US Dollars unless otherwise stated)

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.

The Fund commenced its activities 26 May 1992, where the terms and conditions of the Fund were originally approved by the Saudi Central Bank (SAMA). On 20 December 2008, the terms and conditions of the fund were approved by the Capital Markets Authority (CMA) through their letter dated 12 Dhul Hijja 1429H (corresponding to 20 December 2008).

2 REGULATING AUTHORITY

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

This interim condensed financial information of the Fund has been prepared in accordance with Accounting standard 34 – Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Fund’s last annual financial statement for the year ended 31 December 2021. The results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

3.2 Basis of measurement

This interim condensed financial information has been prepared under the historical cost convention, using the accrual basis of accounting except for investments carried at fair value through profit or loss which are carried at their fair value. The Fund presents its interim condensed statement of financial position in the order of liquidity.

3.3 Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into US Dollars using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into US Dollars using the exchange rates prevailing at date of the interim condensed statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the interim condensed statement of comprehensive income.

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Open-Ended Mutual Fund
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Notes to the interim condensed financial information (Un-audited)
For the six-month period ended 30 June 2022
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3 BASIS OF PREPARATION (CONTINUED)

3.4 Critical accounting judgments, estimates and assumption

The preparation of the interim condensed financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

There are no significant estimates or judgements involved in the preparation of financial statements, that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period. The Fund based its assumptions and estimates on parameters available when the interim condensed financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

3.5 Going concern

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this interim condensed financial information is consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2021. Certain new standards, amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed financial information 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 information. In the opinion of the Fund's Board, these will have no significant impact on the interim condensed financial information of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

New standards, interpretations and amendments adopted by the Fund

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2022. The management has assessed that the amendments have no significant impact on the Fund's interim condensed financial statements.

- Amendments to IAS 37 - 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making;
- Amendments to IAS 16 - 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income;
- Amendments to IFRS 3 - 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; and
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

The listing of standards and interpretations issued, which the Fund reasonably expects to be applicable at a future date are as follows. The Fund intends to adopt these standards when they become effective.

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4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standard/ Interpretation	Description	Effective from periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	Disclosure of Accounting Policies	1 January 2023
IFRS 17, 'Insurance contracts'	New Insurance standard	1 January 2023
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

5 MANAGEMENT FEE, AND OTHER CHARGES

On each valuation day, the fund manager charges the fund a management and administration fee at the rate of 1.5% and 0.2% (2021: 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. Moreover, the Sub Custodian charges the Fund custody fee at the rate of 0.005% (2021: 0.005%) per annum of the Fund's net assets value.

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% (2021: 0.2%) per annum of the Fund's net assets value.

6 CASH AND CASH EQUIVALENTS

	Note	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Cash in investment account	6.1	192,266	153,457
		192,266	153,457

6.1 The balance held with custodian under omnibus account with a local bank having an investment grade credit rating. Cash and cash equivalents also include balances against transactions awaiting settlement

Cash in investment account is held in an investment account with Riyadh Capital, a related party which is used to accept subscription and redemption. The Fund does not earn profit on these investment accounts.

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For the six-month period ended 30 June 2022
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7 INVESTMENTS CARRIED AT FVPL

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

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Investment in US securities	3,702,228	4,932,128
Others	9,280	-
Total market value	3,711,508	4,932,128
Total cost	4,214,327	3,180,938

The effect on the equity as a result of the change in the fair value of investments as at 30 June 2022 (Un-audited) and 31 December 2021 (Audited) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows:

	30 June 2022 (Un-audited)		31 December 2021 (Audited)	
	Potential reasonable change %	Effect on Equity	Potential reasonable change %	Effect on Equity
Investment in US securities	1%	37,022	1%	49,321
Others	1%	93	1%	-
		37,115		49,321

8 UNIT TRANSACTIONS

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

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
	<i>(Units in numbers)</i>	
Units at the beginning of the period / year	40,436.78	366,862.92
Units issued during the period/ year	7,482.46	29,682.67
Units redeemed during the period/ year	(14,167.85)	(356,108.81)
Net change in units	(6,685.39)	(326,426.14)
Units at the end of the period / year	33,751.39	40,436.78

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9 NET (LOSS)/ GAIN FROM INVESTMENTS CARRIED AT FVPL

	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
Realized (loss)/ gain from sale of investments carried at FVPL	(67,274)	28,537
Unrealized (loss)/ gain from revaluation of investments carried at FVPL	(502,819)	4,469,217
	(570,093)	4,497,754

10 OTHER EXPENSES

	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
VAT expense	6,206	45,155
Other expenses	3,636	3,634
	9,842	48,789

11 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Fund include “Riyad Capital” being the Fund Manager, “Riyad Bank” being the shareholder of Riyadh Capital, other funds managed by the Fund Manager and the Fund’s Board of Directors.

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.

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 (payable)	
		30 June 2022	30 June 2021	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Riyad Capital	Fund management fee	(38,739)	(298,386)	(38,659)	153,457
	Investment accounts	-	-	99,162	98,596
	Accrued VAT*	(6,206)	(45,155)	(6,207)	(4,205)

*Accrued VAT to related party is included under accrued expenses in the interim condensed statement of financial position.

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12 FAIR VALUE ESTIMATION

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales was reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision of financial instruments carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly: and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The Fund financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets / financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Investments carried at FVPL	Net Asset Value provided by the fund managers	N/A	N/A

Valuation technique for calculating the fair value of investments under Level 2 comprises of determining the net asset value per unit of the funds which is based on observable market data.

13 SUBSEQUENT EVENTS

As of the date of approval of this interim condensed financial information, there have been no significant subsequent events requiring disclosure to or adjustment in this interim condensed financial information.

14 LAST VALUATION DAY

The last valuation day for the purposes of preparation of this interim condensed financial information is 30 June 2022 (31 December 2021).

15 APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

This interim condensed financial information was approved and authorized for issue by the Fund's Board on 10 August 2022 (corresponding to 12 Muharram 1444H).