

SAIB TRADE FINANCE FUND
An open-ended mutual fund
(Managed by Alistithmar for Financial Securities
and Brokerage Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2020
together with the
Independent Auditor's Report to the Unitholders



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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent Auditor's Report

To the Unitholders of SAIB Trade Finance Fund

Opinion

We have audited the financial statements of **SAIB Trade Finance Fund ("the Fund")** managed by Alistithmar for Financial Securities and Brokerage Company ("the Fund Manager"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in net assets (equity) attributable to the Unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's Terms and Conditions and the Information Memorandum and for such internal control as Fund Manager 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 Fund Manager 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 Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, are responsible for overseeing the Fund's financial reporting process.

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كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأسمالها (١٥,٠٠٠,٠٠٠) ريال سعودي من نوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبين ومراجعين فائزين". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المسقلة التابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Independent Auditor's Report

To the Unitholders of SAIB Trade Finance Fund (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

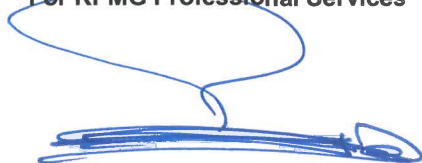
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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 Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's 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, then we are required to draw attention in our auditor's report 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 auditor's report. 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 of **SAIB Trade Finance Fund** ("the Fund").

For KPMG Professional Services



Hani Hamzah A. Bedairi
License No: 460

Al Riyadh, April 05, 2021
Corresponding to: Sha'ban 23, 1442H



SAIB TRADE FINANCE FUND
An open-ended mutual fund
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	31 December 2020	31 December 2019
<u>ASSETS</u>			
Cash and cash equivalents	9, 18	233,016,294	121,656,778
Money market placements	10	273,860	457,491,638
Other assets	11	110,713	107,505
Investments	12	<u>1,097,829,589</u>	<u>207,513,881</u>
Total Assets		<u>1,331,230,456</u>	<u>786,769,802</u>
<u>LIABILITIES</u>			
Management fee payable	14, 18	644,280	388,933
Accrued expenses		166,615	140,684
Risk allowance	16	<u>6,078,955</u>	<u>6,078,955</u>
Total Liabilities		<u>6,889,850</u>	<u>6,608,572</u>
Net assets (Equity) attributable to the Unitholders		<u>1,324,340,606</u>	<u>780,161,230</u>
Units in issue (numbers)		<u>93,362,010</u>	<u>55,661,095</u>
Net assets (Equity) attributable to each unit:			
– IFRS NAV (SAR)	23	<u>14.18</u>	<u>14.02</u>
– Dealing NAV (SAR)	23	<u>14.19</u>	<u>14.03</u>

The accompanying notes 1 to 25 form an integral part of these financial statements.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	31 December 2020	31 December 2019
<u>INCOME</u>			
Special commission income		6,805,021	20,145,222
Gain on investments, net	13	7,355,490	4,639,006
Total income		14,160,511	24,784,228
<u>EXPENSES</u>			
Management fee	14, 18	(4,090,604)	(4,259,799)
Custody fee		(303,722)	(300,000)
Expected credit loss reversal	15	210,815	50,868
Other expenses	17	(725,085)	(351,701)
Total expenses		(4,908,596)	(4,860,632)
Net profit for the year		9,251,915	19,923,596
Other comprehensive income for the year		--	--
Total comprehensive income for the year		9,251,915	19,923,596

The accompanying notes 1 to 25 form an integral part of these financial statements.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
STATEMENT OF CHANGES IN NET ASSETS (EQUITY)
ATTRIBUTABLE TO THE UNITHOLDERS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

	31 December 2020	31 December <u>2019</u>
Net assets (Equity) attributable to the Unitholders at beginning of the year	780,161,230	706,415,110
Total comprehensive income for the year	9,251,915	19,923,596
Contributions and redemptions by the Unitholders:		
Contributions by the Unitholders	989,948,984	582,339,184
Redemptions by the Unitholders	(455,021,523)	(528,516,660)
Net contributions by the Unitholders	534,927,461	53,822,524
Net assets (Equity) attributable to the Unitholders at end of the year	1,324,340,606	780,161,230

UNITS TRANSACTIONS *(numbers)*

	31 December 2020	31 December <u>2019</u>
Units in issuance at beginning of the year	55,661,095	51,600,573
Units issued during the year	69,921,933	42,004,350
Units redeemed during the year	(32,221,018)	(37,943,828)
Net increase in units	37,700,915	4,060,522
Units in issuance at end of the year	93,362,010	55,661,095

The accompanying notes 1 to 25 form an integral part of these financial statements.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	31 December 2020	31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		9,251,915	19,923,596
<i>Adjustments for:</i>			
Gain on investments, net	13	(7,355,490)	(4,639,006)
Expected credit loss reversal	15	(210,815)	(50,868)
		1,685,610	15,233,722
Net decrease / (increase) in operating assets and liabilities:			
Increase in investments		(883,014,762)	(146,986,013)
Decrease in money market placements		457,479,594	82,232,391
Decrease in other assets		335	341
Increase in management fee payable		255,347	17,622
Increase in accrued expenses and other liabilities		25,931	33,176
Net cash used in operating activities		(423,567,945)	(49,468,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		989,948,984	582,339,184
Payments made on redemptions of units		(455,021,523)	(528,516,660)
Net cash generated from financing activities		534,927,461	53,822,524
Net increase in cash and cash equivalents		111,359,516	4,353,763
Cash and cash equivalents at beginning of the year	9	121,656,778	117,303,015
Cash and cash equivalents at end of the year	9	233,016,294	121,656,778

The accompanying notes 1 to 25 form an integral part of these financial statements.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

1. GENERAL

SAIB Trade Finance Fund (the “Fund”) is an open-ended investment fund created by an agreement between Alistithmar for Financial Securities and Brokerage Company (“Alistithmar Capital” or the “Fund Manager”), a wholly owned subsidiary of The Saudi Investment Bank (the “Bank”), and the investors (the “Unitholders”). The Fund commenced its operations on 30 June 2003.

The Fund is designed for investors seeking capital preservation and high liquidity through exposure to Shariah compliant assets. All income is reinvested in the Fund and is reflected in the unit price.

Alistithmar Capital is the Fund Manager and Riyadh Capital is the custodian of the Fund.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by Capital Market Authority (“CMA”) on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended (the “Amended Regulations”) on 16 Sha’ban 1437 H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations came into effect from 6 Safar 1438 H (corresponding to 6 November 2016).

3. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (“SOCPA”), and to comply with the applicable provisions of the Investment Fund Regulations issued by CMA, the Fund’s terms and conditions and the Information Memorandum.

4. BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis, except for measurement of investments at fair value, using the accrual basis of accounting and on the going concern concept.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

5. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Saudi Arabian Riyals (“SAR”), which is the Fund’s functional currency. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

6. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, management has made judgments and estimates 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. Revision to estimates are recognised prospectively.

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a “second wave” of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of the Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

Recently, a number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Fund continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures. The Fund has made an accounting estimate in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Fund believes are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing the estimate. The underlying assumptions are also subject to uncertainties which are often outside the control of the Fund. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimate included in these financial statements. The significant accounting estimate impacted by these forecasts and associated uncertainties is predominantly related to expected credit losses.

Significant area where management has used judgements, estimates and assumptions is as follows:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

7. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Foreign currency

Transactions in foreign currencies are translated into SAR at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into SAR at the exchange rate at the reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income as net foreign exchange gains or losses, except for those arising on financial instruments at fair value through profit or loss ("FVTPL"), which are recognised as a component of net gain from financial instruments at FVTPL.

(b) Revenue recognition

Special commission income

Special commission income and expense are recognized in the statement of comprehensive income, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Special commission received or receivable, and special commission paid or payable, are recognized in statement of comprehensive income as special commission income and special commission expense, respectively.

Dividend income

Dividend income is recognised in the statement of comprehensive income on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognised in statement of comprehensive income as a separate line item.

Net gain from financial instruments at FVTPL

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences (if any), but excludes interest and dividend income.

Net realised gain from financial instruments at FVTPL is calculated using the weighted average cost method.

(c) Distributions to the Unitholders

Distribution to the Unitholders is accounted for as a deduction from net assets (equity) attributable to the Unitholders.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Fee and other expenses

Fee and other expenses are recognized in statement of comprehensive income as the related services are received.

(e) Zakat and tax

Under the current system of zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided for in these financial statements.

(f) Provisions

Provisions are recognized whenever there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(g) Financial assets and financial liabilities

Recognition and initial measurement

Financial assets and financial liabilities at FVTPL are initially recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

Financial assets and financial liabilities at FVTPL are initially recognised at fair value, with transaction costs recognised in the statement of comprehensive income. Financial assets or financial liabilities not at FVTPL are initially recognised at fair value plus / (minus) transaction costs that are directly attributable to their acquisition or issue.

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent fair value changes in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) *Financial assets and financial liabilities (continued)*

Financial asset at fair value through profit or loss (“FVTPL”)

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Fund Manager makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual commission revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund’s managers;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Commission / interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and

features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

Classification of financial liabilities

The Fund classifies its financial liabilities at amortised cost using the effective interest method unless it has designated liabilities at FVTPL.

Derecognition

The Fund derecognizes a financial asset (or where applicable, a part of a financial asset or a part of group of similar financial assets) when the contractual rights to receive the cash flows from the financial asset have expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Transactions in which the Fund transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or portion of them, the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

Transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled, or expired.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS as endorsed in the Kingdom of Saudi Arabia, or for gains and losses arising from a group of similar transactions such as in the Fund's trading activity.

Expected Credit loss (ECL)

The Fund recognizes provisions for ECL on the following financial instruments that are not measured at FVTPL:

- Money market placements
- Investments held at amortized cost
- Other assets

No impairment losses are recognized on equity investments.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) *Financial assets and financial liabilities (continued)*

The Fund measures loss allowance at an amount equal to lifetime ECL, except for the following which are measured at 12-month ECL:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Fund considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Significant increase in credit risk

To determine whether the risk of default on a financial instrument has increased significantly since initial recognition, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund’s historical experience and expert credit assessment and including an assessment of the change in probability of default (PD) as at the reporting date with the PD at the time of initial recognition of the exposure.

One of the key quantitative indicators used by the Fund is the relative downgrade of the credit rating of the borrower and thereby the consequent change in the PD.

Using credit judgment and, where possible, relevant historical experience, the Fund Manager may determine that financial instrument has undergone a significant increase in credit risk based on particular qualitative indicators that considers are indicative of such and which effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The qualitative indicators include forbearance.

Definition of Default

The Fund considers a financial asset to be in default when:

- The investee is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- The financial asset is more than 30 days past due

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk. At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(h) Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market as per the official closing price in the related stock exchange where the instrument is traded.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(i) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks, cash held with broker in trading account, cash held with custodian in investment account and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

(j) Redeemable Units

The Fund classified financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has redeemable units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor’s share in the Fund net assets at each redemption date and also in the event of the Fund’s liquidation.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Redeemable Units (Continued)

Redeemable units are classified as equity as it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognized directly in equity as a deduction from the proceeds or part of the acquisition cost.

8. NEW STANDARDS

a) New IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Fund

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2020 and accordingly adopted by the Fund, as applicable:

<u>Standards / Amendments</u>	<u>Description</u>
IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these financial statements.

b) Standards issued but not yet effective

A number of amendments and standards are effective for the period beginning after 1 January 2020 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements.

The following new or amended standards are not expected to have a significant impact on the Fund's financial statements:

<u>Standards / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 37	Onerous contracts – Cost of fulfilling a contract	1 January 2022
Amendments to IFRS 16	Leases for COVID -19 rent related concessions	1 June 2020
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

9. CASH AND CASH EQUIVALENTS

	<i>Notes</i>	31 December 2020	31 December 2019
Cash at bank – current account	9.1	6,141,586	6,999,735
Cash with custodian		1,863,204	4,410,816
Money market placements	9.2	225,011,504	110,246,227
		233,016,294	121,656,778

9.1 This account is maintained with The Saudi Investment Bank, a local Saudi bank and a parent entity of the Fund Manager, which has an investment grade credit rating.

9.2 These comprise placements with commercial banks having investment grade credit ratings.

These placements have an original maturity of three months or less from the date of placements and carry an annual special commission rate from 0.55% to 0.73% (31 December 2019: 2.10% to 2.60%).

	<i>Notes</i>	31 December 2020	31 December 2019
Money market placements		225,000,000	110,000,000
Accrued special commission income		115,372	291,928
Less: Allowance for expected credit losses	15	(103,868)	(45,701)
		225,011,504	110,246,227

10. MONEY MARKET PLACEMENTS

	<i>Notes</i>	31 December 2020	31 December 2019
Money market placements	10.1	277,769	454,352,144
Accrued special commission income		208	3,463,594
Less: Allowance for expected credit losses	15	(4,117)	(324,100)
		273,860	457,491,638

10.1 These comprise placements with commercial banks having investment grade credit ratings. These placements have an original maturity of more than three months and carry an annual special commission rate of 3.85% (31 December 2019: 2.35% to 4.01%).

11. OTHER ASSETS

	<i>Notes</i>	31 December 2020	31 December 2019
Other assets		110,969	111,304
Less: Allowance for expected credit losses	15	(256)	(3,799)
		110,713	107,505

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

12. INVESTMENTS

	<i>Notes</i>	31 December 2020	31 December 2019
Fair value through profit or loss (FVTPL)	12.1	1,053,895,132	185,539,643
Amortized cost	12.2	43,934,457	21,974,238
		<u>1,097,829,589</u>	<u>207,513,881</u>

12.1 Investments at FVTPL comprise units of the open-ended mutual funds.

12.2 Investments held at amortized cost represent Sukuk, detail as follows:

	<i>Notes</i>	31 December 2020	31 December 2019
Sukuks	12.3, 12.4	43,616,647	21,885,315
Accrued special commission income		449,031	165,600
Less: Allowance for expected credit losses	15	(131,221)	(76,677)
		<u>43,934,457</u>	<u>21,974,238</u>

12.3 These Sukuk have a maturity of more than 1 year and carry an annual special commission rate from 3.22% to 4.31% (31 December 2019: 3.60% to 4.61%).

12.4 The geographical exposure of sukuk is as follows:

	31 December 2020	31 December 2019
Kingdom of Saudi Arabia	23,521,652	5,000,000
United Arab Emirates	20,094,995	16,885,315
	<u>43,616,647</u>	<u>21,885,315</u>

13. GAIN ON INVESTMENTS, NET

	31 December 2020	31 December 2019
Realised gain, net	1,208,228	2,383,022
Unrealised gain	6,147,262	2,255,984
	<u>7,355,490</u>	<u>4,639,006</u>

14. MANAGEMENT FEE

As per the terms and conditions of the Fund, the Fund pays a management fee to the Fund Manager equal to 0.50% per annum of the net assets value at each valuation date. Additionally, administration expenses paid by the Fund Manager on behalf of the Fund are reimbursed by the Fund.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

15. EXPECTED CREDIT LOSSES

	<u>Cash and cash equivalents</u>	<u>Money market placements</u>	<u>Investments</u>	<u>Other assets</u>	<u>Total</u>
Balance at 01 January 2019	67,245	416,684	3,633	13,583	501,145
(Reversal) / charge during the year	(21,544)	(92,584)	73,044	(9,784)	(50,868)
Balance at 31 December 2019	45,701	324,100	76,677	3,799	450,277
Charge / (reversal) during the year	58,167	(319,983)	54,544	(3,543)	(210,815)
Balance at 31 December 2020	103,868	4,117	131,221	256	239,462

16. RISK ALLOWANCE

The Fund calculated a risk allowance at an annual rate of 10% of net income from operations at each valuation date in accordance with its terms and conditions. Pursuant to change in terms and conditions of the Fund dated 4 Dhul-Qaidah 1438H (corresponding to 27 July 2017), the Fund discontinued to calculate any further provision as risk allowance.

17. OTHER EXPENSES

	31 December 2020	31 December 2019
Exchange loss	103,133	11,190
Legal and professional fee	47,500	47,500
Shariah Board fee	32,250	30,750
The Fund Board fee	6,000	5,300
Miscellaneous	536,202	256,961
	<u>725,085</u>	<u>351,701</u>

18. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Fund include the Fund Manager, the Fund Board, the Bank and other funds managed by the Fund Manager. In the ordinary course of its activities, the Fund transacts business with its related parties.

In addition to transactions disclosed elsewhere in these financial statements, related party transactions and balances resulting from these transactions are as follows:

Transactions with related parties:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>For the year ended 31 December</u>	
			<u>2020</u>	<u>2019</u>
Alistithmar Capital	The Fund Manager	Management fee	4,090,604	4,259,799
The Saudi Investment Bank	Parent of the Fund Manager	Special commission income	1,746,169	5,251,320
The Fund Board	The Fund Board	The Fund Board fee	6,000	5,300

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

18. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Balances with related parties:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balance</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Alistithmar Capital	The Fund Manager	Management fee payable	644,280	388,933
		Accrued expenses (note 14)	91,250	85,550
The Saudi Investment Bank	Parent of the Fund Manager	Cash at bank – current account	6,141,586	6,999,735
		Money Market placements	100,304,477	172,187,650

Units of the Fund held with related parties (numbers):

<u>Related party</u>	<u>Nature of relationship</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
The Saudi Investment Bank	Parent of the Fund Manager	7,700,126	7,700,126

19. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classification of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments:

<u>31 December 2020</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<u>FINANCIAL ASSETS</u>		
Cash and cash equivalents	233,016,294	--
Money market placements	273,860	--
Other assets	110,713	--
Investments	43,934,457	1,053,895,132
Total Financial Assets	277,335,324	1,053,895,132
<u>FINANCIAL LIABILITIES</u>		
Management fee payable	644,280	--
Accrued expenses	166,615	--
Total Financial Liabilities	810,895	--
<u>31 December 2019</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<u>FINANCIAL ASSETS</u>		
Cash and cash equivalents	121,656,778	--
Money market placements	457,491,638	--
Other assets	107,505	--
Investments	21,974,238	185,539,643
Total Financial Assets	601,230,159	185,539,643
<u>FINANCIAL LIABILITIES</u>		
Management fee payable	388,933	--
Accrued expenses	140,684	--
Total Financial Liabilities	529,617	--

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

20. FINANCIAL RISK MANAGEMENT

Exposure

Risk management is an integral part of the investment and the operational process. Risk management can be distinguished in financial risk management, operational risk management and independent risk measurement. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow the Fund Manager to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events. Risk monitoring is an independent function, which is functionally separated from the operational department and portfolio management.

The Risk Management department is primarily responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall risk management of the Fund.

The Fund has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk

Risk management framework

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises of mutual funds and debt securities (Sukuk and Money market placements).

The Fund Manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the Fund Manager on a daily basis. In instances where the portfolio has diverged from target asset allocations, the Fund Manager is obliged to take actions to rebalance the portfolio in line with the established targets and within prescribed time limits.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

The Fund is exposed to credit risk on its bank balance, balance held in investment account, investments measured at amortized cost and money market placements. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk.

The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund Board.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below shows the maximum exposure to credit risk for the component of the statement of financial position:

	31 December 2020	31 December 2019
Cash and cash equivalents, net	233,120,162	121,702,479
Money market placements, net	277,977	457,815,738
Investments at amortized cost, net	44,065,678	22,050,915
Total exposure to credit risk	277,463,817	623,551,032

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of counterparties.

Analysis of credit quality

The Fund has invested in Sukuk with the following credit quality:

	31 December 2020	31 December 2019
A-	--	17,040,674
BBB-	18,780,860	
BBB+	20,278,099	
Unrated	5,006,719	5,010,241
Total	44,065,678	22,050,915

The Fund has money market placements with counterparties having the following credit quality:

	31 December 2020	31 December 2019
A-	125,088,872	224,083,196
BBB+	100,304,477	344,024,470
Total	225,393,349	568,107,666

As at the reporting date, the Fund's debt securities exposures were concentrated in the following economic sectors:

	31 December 2020	31 December 2019
Banks	20,278,098	17,040,674
Corporates	23,787,580	5,010,241
Total	44,065,678	22,050,915

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Amounts arising from ECL

Impairment on money market placements, investments at amortized cost and other assets has been measured on a 12-month expected loss basis. The Fund considers that these exposures have low credit risk based on the external credit ratings of the counterparties.

12-month and lifetime probabilities of default are based on the approved ECL methodology and impairment policy of the Fund. Loss given default (LGD) parameters generally reflect an assumed recovery rate which are linked to the composite credit ratings of the counterparties. However, if the assets were credit-impaired, then the estimate of loss would be based on a specific assessment of expected cash shortfalls and on the original effective profit rate.

The Fund has recorded expected credit loss on money market placements, investments at amortized cost and other assets amounting to SAR 239,462 as at 31 December 2020 (31 December 2019: SAR 450,277).

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Fund's allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and customers responses could result in significant adjustments to the allowance in future financial years.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Fund Manager's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemption of units, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's terms and conditions provide for the subscriptions and redemptions of units on a daily basis and it is, therefore, exposed to the liquidity risk of meeting Unitholders' redemptions at any time.

The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

The Fund manages its liquidity risk by investing predominantly in securities and financial assets that it expects to be able to liquidate within a short period of time.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

The contractual maturity profile of the financial assets and liabilities of the Fund is as follows:

31 December 2020	Within 3 months	3 to 12 months	More than 1 year	No fixed maturity	Total
Cash and cash equivalents	225,011,504	--	--	8,004,790	233,016,294
Money market placements	--	273,860	--	--	273,860
Other assets	--	110,713	--	--	110,713
Investments – FVTPL	--	--	--	1,053,895,132	1,053,895,132
Investments - amortized cost	17,037,394	4,960,283	21,936,780	--	43,934,457
Total financial assets	242,048,898	5,344,856	21,936,780	1,061,899,922	1,331,230,456
Management fee payable	644,280	--	--	--	644,280
Accrued expenses	166,615	--	--	--	166,615
Total financial liabilities	810,895	--	--	--	810,895
Net position	241,238,001	5,344,856	21,936,780	1,061,899,922	1,330,419,559

31 December 2019	Within 3 months	3 to 12 months	More than 1 year	No fixed maturity	Total
Cash and cash equivalents	110,246,227	--	--	11,410,551	121,656,778
Money market placements	--	457,491,638	--	--	457,491,638
Other assets	--	107,505	--	--	107,505
Investments – FVTPL	--	--	--	185,539,643	185,539,643
Investments - amortized cost	--	165,416	21,808,822	--	21,974,238
Total financial assets	110,246,227	457,645,559	21,808,822	196,950,194	786,769,802
Management fee payable	388,933	--	--	--	388,933
Accrued expenses	140,684	--	--	--	140,684
Total financial liabilities	529,617	--	--	--	529,617
Net position	109,716,610	457,764,559	21,808,822	196,950,194	786,240,185

Market risk

Market risk is the risk that changes in market prices – such as commission rates, foreign exchange rates and equity prices – will affect the Fund’s income or the fair value of its holdings in financial instruments.

The Fund’s strategy for the management of market risk is driven by the Fund’s investment objectives as per the Fund’s terms and conditions. The Fund’s market risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place. The Fund’s market positions are monitored on a timely basis by the Fund Manager.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The Fund’s functional currency is Saudi Arabian Riyals (SAR). The Fund’s financial assets and liabilities are denominated in SAR and United States Dollar (USD). However, since SAR is pegged to USD therefore, the Fund is not exposed to significant currency risk.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Fund's investments are susceptible to equity price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of industry concentration.

Sensitivity analysis

The table below sets out the effect on net assets attributable to the Unitholders of a reasonable possible weakening in the individual market prices of 10% at reporting date. The estimates are made on an individual investment basis. The analysis assumed that all other variables, in particular interest and foreign currency rates, remain constant.

	31 December 2020	31 December 2019
Effect on net assets in SAR		
Net impact on investments	105,389,513	18,553,964
Effect on % of net assets attributable to the Unitholders		
Net impact on investments	7.96%	2.38%

A strengthening in the individual equity market prices of 10% would have resulted in an equal but opposite effect to the amounts shown above.

Special Commission rate risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Fund Manager monitors positions to ensure that it is maintained within established gap limits, if any.

A summary of the Fund's commission rate gap position, analysed by the earlier of contractual re-pricing or maturity date, is as follows:

31 December 2020	Within 3 months	3 to 12 months	More than 1 year	Non- commission bearing	Total
Cash and cash equivalents	225,011,504	--	--	8,004,790	233,016,294
Money market placements	--	273,860	--	--	273,860
Other assets	--	--	--	110,713	110,713
Investments – FVTPL	--	--	--	1,053,895,132	1,053,895,132
Investments - amortized cost	17,037,394	4,960,283	21,936,780	--	43,934,457
Total commission-bearing assets	242,048,898	5,234,143	21,936,780	1,062,010,635	1,331,230,456
Management fee payable	--	--	--	644,280	644,280
Accrued expenses	--	--	--	166,615	166,615
Total commission-bearing liabilities	--	--	--	810,895	810,895
Total special commission rate sensitivity rate gap	242,048,898	5,234,143	21,936,780	1,061,199,742	1,330,419,561
Cumulative special commission rate sensitivity gap	242,048,898	247,283,041	269,219,821	1,330,419,561	--

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

<u>31 December 2019</u>	<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Non-commission bearing</u>	<u>Total</u>
Cash and cash equivalents	110,246,227	--	--	11,410,551	121,656,778
Money market placements	--	457,491,638	--	--	457,491,638
Other assets	--	--	--	107,505	107,505
Investments – FVTPL	--	--	--	185,539,643	185,539,643
Investments - amortized cost	--	--	21,974,238	--	21,974,238
Total commission-bearing assets	<u>110,246,227</u>	<u>457,491,638</u>	<u>21,974,238</u>	<u>197,057,699</u>	<u>786,769,802</u>
Management fee payable	--	--	--	388,933	388,933
Accrued expenses	--	--	--	140,684	140,684
Total commission-bearing liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>529,617</u>	<u>529,617</u>
Total special commission rate sensitivity rate gap	<u>110,246,227</u>	<u>457,491,638</u>	<u>21,974,238</u>	<u>196,528,082</u>	<u>786,240,185</u>
Cumulative special commission rate sensitivity gap	<u>110,246,227</u>	<u>567,737,865</u>	<u>589,712,103</u>	<u>786,240,185</u>	<u>--</u>

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

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 the Unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
 - appropriate segregation of duties between various functions, roles and responsibilities;
 - reconciliation and monitoring of transactions; and
 - periodic assessment of operational risks faced
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund measures certain financial instruments at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in assumptions about these factors could affect the fair value of financial instruments.

Valuation models

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Fund values equity securities that are traded on an approved stock exchange at their last reported prices. To the extent that equity securities are actively traded, and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

Fair value hierarchy – Financial instruments measured at fair value

The table below analyses financial instruments at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized.

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

21. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy – Financial instruments measured at fair value (continued)

	31 December 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at FVTPL	--	1,053,895,132	--	1,053,895,132
Investments at amortized cost	45,254,682	--	--	45,254,682
Total	45,254,682	1,053,895,132	--	1,099,149,814

	31 December 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at FVTPL	--	185,539,643	--	185,539,643
Investments at amortized cost	22,079,302	--	--	22,079,302
Total	22,079,302	185,539,643	--	207,618,945

During the year, there has been no transfer in fair value hierarchy for the financial assets held at fair value.

Other financial instruments such as cash and cash equivalents, money market placements, other assets, management fee payable and accrued expenses and other liabilities are short term financial assets and financial liabilities whose carrying amounts approximate their fair value, because of the short-term nature and high credit quality of counterparties.

22. LAST VALUATION DAY

The last valuation day of the year was 31 December 2020 (2019: 31 December 2019).

23. NET ASSETS VALUE

CMA, through its circular dated 10 Rabi Al Thani 1439H (corresponding to 28 December 2017), approved the Dual NAV approach for investment funds. In accordance with the above circular, IFRS 9 is applied for accounting and reporting purposes and dealing NAV is remain unaffected until further notice.

As at 31 December 2020, the net assets value per unit considering the impact of IFRS 9 was SAR 14.18 (31 December 2019: 14.02) and the dealing net assets value per unit was SR 14.19 (31 December 2019: 14.03). Refer below reconciliation:

	<i>Notes</i>	31 December 2020	
		<u>Net assets attributable to the Unitholders</u>	<u>Net assets attributable to each unit</u>
IFRS net assets		1,324,340,606	14.18
Effect of ECL in accordance with IFRS 9	15	239,462	0.01
Dealing net assets		1,324,580,068	14.19

	<i>Notes</i>	31 December 2019	
		<u>Net assets attributable to the Unitholders</u>	<u>Net assets attributable to each unit</u>
IFRS net assets		780,161,230	14.02
Effect of ECL in accordance with IFRS 9	15	450,277	0.01
Dealing net assets		780,611,507	14.03

SAIB TRADE FINANCE FUND
An open-ended mutual fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in Saudi Arabian Riyals)

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events subsequent to the statement of financial position date which require adjustments of or disclosure in the financial statements or notes thereto.

25. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Manager on 12 Sha'ban 1442H (corresponding to 25 March 2021).