

Al-Arabi Saudi Equity Fund
(Managed by Arab National Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020



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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF AL-ARABI SAUDI EQUITY FUND (MANAGED BY ARAB NATIONAL INVESTMENT COMPANY)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al-Arabi Saudi Equity Fund (the "Fund") managed by Arab National Investment Company (the "Fund Manager") as at 30 June 2020, 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 a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young


Rashid S. AlRashoud
Certified Public Accountant
License No. 366

Riyadh: 28 Dhul-Hijjah 1441H
(18 August 2020)



Al-Arabi Saudi Equity Fund
(Managed by Arab National Investment Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	Note	30 June 2020 SR	31 December 2019 SR
ASSETS			
Financial assets at fair value through profit or loss (FVTPL)	4	97,556,044	101,431,723
Dividend receivable		18,200	-
Bank balance		1,447,509	8,957,265
TOTAL ASSETS		99,021,753	110,388,988
LIABILITIES			
Management fees		421,952	460,522
Accrued expenses		32,312	52,488
TOTAL LIABILITIES		454,264	513,010
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		98,567,489	109,875,978
TOTAL LIABILITIES AND EQUITY		99,021,753	110,388,988
Redeemable units in issue		978,952	978,876
Net asset value attributable to each unit		100.69	112.25

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

Al-Arabi Saudi Equity Fund
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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2020

	<i>Note</i>	2020 SR	2019 SR
INCOME			
Net realized (loss) gain on financial assets at FVTPL		(216,416)	7,554,074
Net unrealized (loss) gain on financial assets at FVTPL		(12,353,539)	6,098,922
Dividend income		2,201,883	2,675,201
TOTAL (LOSS) INCOME		(10,368,072)	16,328,197
EXPENSE			
Management fees	5	(829,560)	(1,036,127)
Other fees	5	(111,507)	(118,077)
TOTAL EXPENSE		(941,067)	(1,154,204)
NET (LOSS) INCOME FOR THE PERIOD		(11,309,139)	15,173,993
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(11,309,139)	15,173,993

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO
THE UNITHOLDERS (UNAUDITED)

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	109,875,978	107,691,197
NET (LOSS) INCOME FOR THE PERIOD	(11,309,139)	15,173,993
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(11,309,139)	15,173,993
ISSUANCE AND REDEMPTIONS OF UNITS		
Issuance of units during the period	85,139	536,926
Redemptions of units during the period	(84,489)	(4,068,477)
Net changes in units	650	(3,531,551)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	98,567,489	119,333,639

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units made for the period ended 30 June are summarized as follows:

	2020 Units	2019 Units
UNITS AT THE BEGINNING OF THE PERIOD	978,876	1,038,960
Issuance of units during the period	851	4,706
Redemptions of units during the period	(775)	(35,898)
Net changes in units	76	(31,192)
UNITS AT THE END OF THE PERIOD	978,952	1,007,768

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INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
OPERATING ACTIVITIES		
Net (loss) income for the period	(11,309,139)	15,173,993
Adjustment to reconcile net (loss) income to net cash flows:		
Movement in unrealized losses (gains) on financial assets at FVTPL	12,353,539	(6,098,922)
	<u>1,044,400</u>	<u>9,075,071</u>
Working capital adjustments:		
Increase in financial assets at FVTPL	(8,477,860)	(4,221,775)
Increase in dividend receivables	(18,200)	(189,010)
Decrease in accrued management and other fees	(58,746)	(480,400)
	<u>(7,510,406)</u>	<u>4,183,886</u>
Net cash flows (used in) from operating activities		
FINANCING ACTIVITIES		
Proceed from issuance of units	85,139	536,926
Payment on redemption of units	(84,489)	(4,068,477)
	<u>650</u>	<u>(3,531,551)</u>
Net cash flows from (used in) financing activities		
NET (DECREASE) INCREASE IN BANK BALANCE	(7,509,756)	652,335
Bank balance at the beginning of period	<u>8,957,265</u>	<u>846,489</u>
BANK BALANCE AT THE END OF THE PERIOD	<u>1,447,509</u>	<u>1,498,824</u>

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

Al-Arabi Saudi Equity Fund

(Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2020

1. GENERAL

Al-Arabi Saudi Equity Fund (the “Fund”) is open-ended fund. The investment object of the Fund is to invest in a broadly diversified portfolio of Saudi Arabian equity including money market and murabaha funds. The Fund was established on 13 Shawwal 1401H (corresponding to 8 May 1990) by the Arab National Bank (“the Bank”). The address of the Fund Manager is Arab National Investment Company, P.O. Box 220009, Riyadh 11311, Kingdom of Saudi Arabia.

In accordance with the Capital Market Authority’s (CMA) decision No. 1-83-2005 dated 21 Jumada Awal 1426H (corresponding to 28 June 2005) issued by the CMA Board in connection with the regulations relating to Authorised Persons, the Bank has transferred its asset management operations to Arab National Investment Company (“the Fund Manager”), a wholly owned subsidiary of the Bank, effective 1 January 2008.

The Fund has appointed AlBilad Investment Company (the “Custodian”) to act as its custodian and registrar. The fees of the custodian and registrar’s services are paid by the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund.

2. REGULATING AUTHORITY

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

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

The interim condensed financial statements do not include all the information and disclosures required in annual financial statements and should, therefore, be read in conjunction with the annual financial statements for the year ended 31 December 2019.

These interim condensed financial statements have been prepared on a historical cost basis. Except for financial assets at fair value through profit or loss which are stated at their fair value using the accrual basis of accounting and going concern concept.

These financial statements are presented in Saudi Riyals (“SR”), which is the functional currency of the Fund, and all values are rounded to the nearest one Saudi Riyal, except where otherwise indicated.

Results for the interim reporting period are not necessarily indicative of future periods.

3.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

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

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The composition of the financial assets at fair value through profit and loss is summarised below:

<i>Description</i>	<i>30 June 2020</i>			
	<i>% of market Value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain/(loss) SR</i>
<u><i>Sectors</i></u>				
Materials	31.33%	30,669,271	30,562,310	(106,961)
Banks	29.98%	25,959,992	29,251,657	3,291,665
Energy	8.46%	8,675,027	8,258,113	(416,914)
Commercial and professional services	6.49%	7,266,204	6,328,300	(937,904)
Telecommunication services	5.50%	3,568,936	5,361,375	1,792,439
Health care equipment and services	5.38%	4,126,679	5,245,398	1,118,719
Insurance	3.50%	3,001,613	3,413,960	412,347
Food and staples retailing	3.03%	2,176,569	2,958,800	782,231
Food and beverages	2.94%	2,284,597	2,871,000	586,403
Retailing	1.95%	1,625,169	1,899,332	274,163
Real estate management and development	1.44%	2,038,485	1,405,799	(632,686)
	100.00%	91,392,542	97,556,044	6,163,502
<i>31 December 2019</i>				
<i>Description</i>	<i>% of market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain SR</i>
<u><i>Sectors</i></u>				
Materials	24.55%	22,072,485	24,901,773	2,829,288
Banks	44.17%	33,027,934	44,801,453	11,773,519
Energy	12.11%	12,138,237	12,280,155	141,918
Commercial and professional services	5.71%	5,514,702	5,791,400	276,698
Telecommunication services	5.57%	3,433,193	5,648,250	2,215,057
Health care equipment and Services	2.79%	2,689,698	2,825,600	135,902
Food & beverages	2.75%	2,646,511	2,788,000	141,489
Retailing	2.35%	1,391,922	2,395,092	1,003,170
	100.00%	82,914,682	101,431,723	18,517,041

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

5. TRANSACTIONS WITH RELATED PARTIES

A subscription fee of up to 2% may be charged to the subscribers by the Fund Manager upon subscription.

The Fund pays a management fee at the rate of 1.75% per annum calculated based on the net asset value at each valuation date. In addition, the Fund Manager also charges other fees at a maximum rate of 1.00 % per annum calculated based on the net asset value at each valuation date to meet other expenses of the Fund.

The management fees amounting to SR 829,560 (30 June 2019: SR 1,036,127) and other fees amounting to SR 111,507 (30 June 2019:SR 118,077) reflected in the statement of comprehensive income, represent the fees charged by Fund Manager during the period as described above.

The accrued management and other fees payable to the Fund Manager at the period-end is disclosed in the statement of financial position.

The Unitholders' account at 30 June included units held as follows:

	<i>2020 Units</i>	<i>2019 Units</i>
Held by the employees of the Bank	615	615
	615	615

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund measures its investments in financial instruments, such as equity instruments, at fair value at each reporting 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 fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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

The Fund has only investments at fair value through profit or loss which is measured at fair values and are classified within level 1 of the fair value hierarchy. All other financial assets and liabilities are classified as amortized cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

7. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

<i>As at 30 June 2020 (Unaudited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Financial assets at FVPTL	97,556,044	-	97,556,044
Dividend receivable	18,200	-	18,200
Bank balance	1,447,509	-	1,447,509
TOTAL ASSETS	99,021,753	-	99,021,753
LIABILITIES			
Management fees	421,952	-	421,952
Accrued expenses	32,312	-	32,312
TOTAL LIABILITIES	454,264	-	454,264
<i>As at 31 December 2019 (Audited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Financial assets at FVPTL	101,431,723	-	101,431,723
Bank balance	8,957,265	-	8,957,265
TOTAL ASSETS	110,388,988	-	110,388,988
LIABILITIES			
Management fees	460,522	-	460,522
Accrued expenses	52,488	-	52,488
TOTAL LIABILITIES	513,010	-	513,010

8. LAST VALUATION DAY

The last valuation day of the period / year was 28 June 2020 (2019: 29 December 2019).

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At 30 June 2020

9. IMPACT OF COVID-19 ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the Fund Manager has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

As of the date of interim condensed financial statements for the six months period ended 30 June 2020, the Fund’s operations and financial results have witnessed impact due to the COVID-19 outbreak mainly as result of decline in the Fund’s investments’ fair values in line with share prices declining trend. The impact of the pandemic on the Fund’s operations and financial results till the date of the interim financial statements has been reflected in the net assets value and investments value. These developments could further impact our future financial results, cash flows and financial condition and the Fund Manager will continue to assess the nature and extent of the impact on its business and financial results.

10. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the management on 28 Dhul-Hijjah 1441H (corresponding to 18 August 2020).