

**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 2021**



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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 2021, 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") as 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 as endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young

  
Saad M. Al-Khathlan  
Certified Public Accountant  
License No. 509



Riyadh: 4 Muharram 1443H  
(12 August 2021)

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

	Note	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
<b>ASSETS</b>			
Financial assets at fair value through profit or loss (FVTPL)	4	<b>126,431,757</b>	107,706,799
Dividend receivables		<b>281,100</b>	54,375
Cash and cash equivalents		<b>7,477,729</b>	5,881,648
<b>TOTAL ASSETS</b>		<b>134,190,586</b>	113,642,822
<b>LIABILITIES</b>			
Management fees payable		<b>565,381</b>	482,458
Accrued expenses		<b>115,314</b>	104,060
<b>TOTAL LIABILITIES</b>		<b>680,695</b>	586,518
<b>EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)</b>		<b>133,509,891</b>	113,056,304
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>134,190,586</b>	113,642,822
Redeemable units in issue		<b>888,792</b>	928,783
Net asset value attributable to each unit		<b>150.22</b>	121.73

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 2021

	<i>Note</i>	2021 SR	2020 SR
<b>INCOME</b>			
Net realized gain (loss) on financial assets at FVTPL		<b>6,280,151</b>	(216,416)
Net unrealized gain on financial assets at FVTPL		<b>18,569,083</b>	(12,353,539)
Dividend income		<b>2,054,001</b>	2,201,883
<b>TOTAL INCOME (LOSS)</b>		<b>26,903,235</b>	(10,368,072)
<b>EXPENSES</b>			
Management fees	5	<b>(1,060,862)</b>	(829,560)
Other expenses	5	<b>(234,878)</b>	(111,507)
<b>TOTAL EXPENSES</b>		<b>(1,295,740)</b>	(941,067)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<b>25,607,495</b>	(11,309,139)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		<b>25,607,495</b>	(11,309,139)

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 CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)**

For the six-month period ended 30 June 2021

	2021 SR	2020 SR
<b>EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD</b>	<b>113,056,304</b>	109,875,978
<b>TOTAL COMPREHENSIVE INCOME (LOSS) INCOME</b>	<b>25,607,495</b>	(11,309,139)
Redemptions of units during the period	(5,159,809)	(84,489)
Issue of units during the period	5,901	85,139
Net changes in units	(5,153,908)	650
<b>EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD</b>	<b>133,509,891</b>	98,567,489

**REDEEMABLE UNIT TRANSACTIONS**

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

	2021 Units	2020 Units
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	<b>928,783</b>	978,876
Redemptions of units during the period	(40,035)	(775)
Issue of units during the period	44	851
Net changes in units	(39,991)	76
<b>UNITS AS AT END OF THE PERIOD</b>	<b>888,792</b>	978,952

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Al Arabi Saudi Equity Fund  
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2021

	2021 SR	2020 SR
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	<b>25,607,495</b>	(11,309,139)
<i>Adjustment to reconcile net income (loss) to net cash flows:</i>		
Movement in unrealized gain on financial assets at FVTPL	<b>(18,569,083)</b>	12,353,539
	<b>7,038,412</b>	1,044,400
<i>Working capital adjustments:</i>		
Increase in financial assets at FVTPL	<b>(155,875)</b>	(8,477,860)
Increase in dividend receivables	<b>(226,725)</b>	(18,200)
Increase (Decrease) in accrued management and other fees	<b>94,177</b>	(58,746)
Net cash flows from (used in) operating activities	<b>6,749,989</b>	(7,510,406)
<b>FINANCING ACTIVITIES</b>		
Payment on redemption of units	<b>(5,159,809)</b>	85,139
Proceeds from units sold	<b>5,901</b>	(84,489)
Net cash flows (used in) from financing activities	<b>(5,153,908)</b>	650
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,596,081</b>	(7,509,756)
Cash and cash equivalents at the beginning of the period	<b>5,881,648</b>	8,957,265
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>7,477,729</b>	1,447,509

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)

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021

#### 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 1411H (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 AIBilad 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”) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia and published by the Capital Market Authority (the “CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006). The Regulations were further Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G (the “Amended Regulations”).

#### 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 2020.

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 and also using the accruals basis of accounting and the going concern concept.

These interim condensed 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 2020, except for the adoption of new standards effective as of 1 January 2021. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Fund.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

**Al Arabi Saudi Equity Fund**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

At 30 June 2021

**3.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (Continued)**

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. These amendments had no impact on the interim condensed financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

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

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

	30 June 2021			
	% of market Value	Cost SR	Market value SR	Unrealized gain (loss) SR
<u>Sectors</u>				
Banks	44.40%	35,286,754	56,147,558	20,860,804
Materials	21.55%	18,799,359	27,245,416	8,446,057
Energy	9.17%	10,366,953	11,597,715	1,230,762
Telecommunication Services	5.66%	3,568,936	7,155,750	3,586,814
Food & Beverages	5.41%	5,920,425	6,836,050	915,625
Health Care Equipment & Services	4.60%	2,270,202	5,812,768	3,542,566
Retailing	4.59%	4,054,775	5,802,700	1,747,925
Insurance	2.85%	3,589,806	3,601,800	11,994
Food & Staples Retailing	1.77%	1,506,856	2,232,000	725,144
	<b>100.00%</b>	<b>85,364,066</b>	<b>126,431,757</b>	<b>41,067,691</b>
	31 December 2020			
	% of market Value	Cost SR	Market value SR	Unrealised gain (loss) SR
<u>Sectors</u>				
Banks	40.91%	36,370,144	44,060,205	7,690,061
Materials	27.74%	22,551,915	29,878,854	7,326,939
Energy	6.82%	7,199,445	7,342,575	143,130
Telecommunication services	5.39%	3,568,936	5,807,250	2,238,314
Retailing	4.98%	4,473,809	5,358,925	885,116
Health care equipment & services	4.81%	2,806,414	5,180,390	2,373,976
Commercial & professional services	3.63%	4,019,274	3,906,600	(112,674)
Food & beverages	2.08%	1,867,332	2,236,000	368,668
Food & staples retailing	2.07%	1,506,856	2,232,000	725,144
Insurance	1.57%	844,066	1,704,000	859,934
	<b>100.00%</b>	<b>85,208,191</b>	<b>107,706,799</b>	<b>22,498,608</b>



**Al-Arabi Saudi Equity Fund**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
At 30 June 2021

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

The movement of financial assets at fair value through profit and loss is as follow:

	30 June 2021 SR	30 June 2020 SR
Fair value as at the beginning of the period	<b>107,706,799</b>	101,431,723
Net sales of financial assets at FVTPL	<b>(6,124,276)</b>	8,694,276
Net realized gain (loss) on financial assets at FVTPL	<b>6,280,151</b>	(216,416)
Net unrealized gain (loss) on financial assets at FVTPL	<b>18,569,083</b>	(12,353,539)
Fair value as at the end of period	<b><u>126,431,757</u></b>	<b><u>97,556,044</u></b>

**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 1,060,862 (30 June 2020: SR 829,560) and other fees amounting to SR 234,878 (30 June 2020:SR 111,507) 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:

	2021 Units	2020 Units
Held by the employees of the Bank	<b><u>615</u></b>	<b><u>615</u></b>

**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 reporting date.

Al Arabi Saudi Equity Fund  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)  
At 30 June 2021

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

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.

**FAIR VALUE HIERARCHY**

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 30 June 2021 and 31 December 2020. There are no financial liabilities measured at fair value.

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	SR	SR	SR	SR
As at 30 June 2021				
Financial assets measured at fair value				
Investments at FVTPL (listed on Tadawul)	<b>126,431,757</b>	<b>126,431,757</b>	-	-
As at 31 December 2020				
Financial assets measured at fair value				
Investments at FVTPL (listed on Tadawul)	107,706,799	107,706,799	-	-

**7. MATURITY ANALYSIS OF ASSETS AND LIABILITY**

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

	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
As at 30 June 2021 (Unaudited)			
<b>ASSETS</b>			
Financial assets at (FVTPL)	<b>126,431,757</b>	-	<b>126,431,757</b>
Cash and cash equivalents	<b>7,477,729</b>	-	<b>7,477,729</b>
Dividend receivable	<b>281,100</b>		<b>281,100</b>
<b>TOTAL ASSETS</b>	<b>134,190,586</b>	-	<b>134,190,586</b>
<b>LIABILITIES</b>			
Management fees payable	<b>565,381</b>	-	<b>565,381</b>
Accrued expenses	<b>115,314</b>	-	<b>115,314</b>
<b>TOTAL LIABILITIES</b>	<b>680,695</b>	-	<b>680,695</b>

**Al Arabi Saudi Equity Fund**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
At 30 June 2021

**7. MATURITY ANALYSIS OF ASSETS AND LIABILITY (Continued)**

As at 31 December 2020 (Audited)	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Financial assets at (FVTPL)	107,706,799	-	107,706,799
Cash and cash equivalents	5,881,648	-	5,881,648
Dividend receivable	54,375	-	54,375
<b>TOTAL ASSETS</b>	<b>113,642,822</b>	<b>-</b>	<b>113,642,822</b>
<b>LIABILITIES</b>			
Management fees payable	482,458	-	482,458
Accrued expenses	104,060	-	104,060
<b>TOTAL LIABILITIES</b>	<b>586,518</b>	<b>-</b>	<b>586,518</b>

**8. LAST VALUATION DAY**

The last valuation day of the period / year was 30 June 2021 (2020: 30 December 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 unaudited interim condensed financial statements for the six months period ended 30 June 2021, 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 Fund’s Board of Directors on 4 Muharram 1443H (corresponding to 12 August 2021).