

Interim Report 2020
Samba Sovereign Sukuk Fund

Fund Manager
Samba Capital & Investment Management Company
CR 1010237159,
CMA Authorization No. 07069-37
Kingdom Center, Olaya
P.O. Box 220007, Riyadh 11311
Kingdom of Saudi Arabia
www.Sambacapital.com
Toll free: 800 755 7000

I. Fund Manager

- 1) **Name and address of the Fund Manager:**
Samba Capital & Investment Management Company
Kingdom Center, Olaya
P.O. Box 220007, Riyadh 11311
Kingdom of Saudi Arabia
- 2) **Names and addresses of sub-manager and/or investment adviser (if any):**
N/A
- 3) **Review of the investment activities during the period:**

During the six months ended 30 June 2020, the fund has invested in Sovereign Sukuk denominated in Saudi riyals and issued by government entities in the kingdom of Saudi Arabia, namely, the public debt Management office of ministry of Finance, SAMA, and government funds, in accordance with its T&Cs.

- 4) **Investment Fund's performance during the period:**

Samba Sovereign Sukuk Fund for the first half of 2020 return was 4.45% while its benchmark, SIBOR for one month, return was 0.76%. At the end of June 2020, the Fund's aggregate net asset value stood at SAR 1,239 million compared with the previous year of SAR 1,405 million. The number of units at the end of the period under review was 113,438,102 compared to 136,939,458 at the end of June 2019. Moreover, Sunbullah SAR unit price was SAR 10.92 at the end of the first half of 2020, compared to SAR 10.26 at the end of the same period of the previous year. The subscriptions for the six months ending June 2020 were SAR 121.2 million, compared to SAR 1,507 million for the six months ending June 2020. On the other hand, value of units redeemed was SAR 369.3 million for the first half of 2020 compared to SAR 135 million for the same period of the previous year. The performance of the Fund is presented below:

Cumulative returns	Samba Sovereign Sukuk Fund Return % (Samba Sukuk Fund)	Benchmark SIBOR for three months %
1 year	8.01	2.00
3 year	N/A	N/A
5 year	N/A	N/A
Since inception	10.79	2.59

- 5) **Details of any changes on the Terms and Conditions, Memorandum of Information or documents of the fund during the period:**

Changes	Details
Modify the Contact Number	Modify the Contact Number from 80075577000 To 8007557000
Fund board member Resignation Mr. Mohammed Jazzar	Clause 10 of IM : Delete Mr. Mohammed Jazzar from the fund board members in section 10 of IM

Appointing fund board member Mr. Ammar Bakheet	Clause 10 of IM : Appointing Mr. Ammar Bakheet as fund board member in section 10 of IM
Appointing fund board member Mr. Fahad Al-Majid	Clause 10 of IM: Appointing Mr. Fahad Al-Majid as fund board member in section 10 of IM
Fund board member Resignation Mr. Irfan Said	Clause 10 of IM : Delete Mr. Irfan Said from the fund board members in section 10 of IM

- 6) Samba Capital has included all necessary information that would enable unitholders to make an informed judgment about the fund's activities during the period.
- 7) Samba Sovereign Sukuk Fund has not invested in any other fund during the period.
- 8) No special commission was received by the fund manager during the period.
- 9) Others:
- There has been no conflict of interest situation that required the Fund Board's approval during the six months ending June 2020.
 - Samba Capital has not invested in Al Sunbullah SAR Fund during the six months ending June 2020.
 - There was no breach of investment limitation during the six months ending June 2020.
 - The Fund's cash level varies and may rise above 10% under abnormal market conditions.

II. Financial Statements

These interim condensed financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). For detailed auditor's opinion refer to Appendix-1

Disclaimer:

Samba Capital is authorized by the Capital Market Authority. Samba Capital does not guarantee the performance of any investment. The value of an investment in the Fund is variable and may increase or decrease. The Fund's past performance or the Benchmark's past performance is not necessarily a guide or predictor of the Fund's future performance. There is no guarantee to the unit holders that the Fund's absolute performance or its performance relative to the Benchmark will be repeated or similar to the previous performance. The prices or value or income of the units of the Fund may decrease and the investor may get back less than the amount invested. The income of the Fund from investment in securities may fluctuate and a part of the capital invested may be used to pay that income. The Fund invests in foreign currency denominated securities and therefore is exposed to foreign exchange risk that may have an adverse effect on the price, value or income of the Fund. Investment in investment funds is not a deposit with any bank. Investors may be exposed to loss of funds when investing in investment funds. The Fund Manager is not obliged to accept the redemption request of the units at the value of the offering. The value of the units and their revenues are subject to fluctuations. The investment may not be suitable for all recipients of the advertisement; Samba Capital recommends that if they have any doubts, they should seek advice from their investment adviser. Fees and charges apply as per Terms and Conditions; please refer to the T&Cs for more details on the risks involved while investing in the Fund. To obtain a copy of the T&Cs, information memorandum, fund reports to unitholders and financial statements, please visit our website www.sambacapital.com or call 800 755 7000 or visit your nearest Samba Capital investment center. Samba Capital or its affiliates

Public

PUBLIC

may invest into the Fund and has or may have a position or holding in the securities concerned or in related securities. Samba Capital also carries on other independent securities business such as Corporate Finance, Investment Banking, Brokerage and Principal Investment. Samba Capital or its affiliates may be provide or may have provided in the past 12 months, significant advice or securities business services to the issuers of securities, in which the Fund may invest from time to time or of related securities.

Samba Capital & Investment Management Company, CR 1010237159, CMA Authorization No. 07069-37 - Head Office: Kingdom Tower, Olaya, Riyadh, Saudi Arabia P.O. Box 220007, Riyadh 11311 - Phone: 966 11 211 7700 - Fax: 966 11 211 7799

Public

PHILLIP

Appendix-1 (Financial Statements)

Samba Sovereign Sukuk Fund

**Interim Condensed Financial Statements and
Independent Auditor's Report
For the Period Ended June 30, 2020**

Samba Sovereign Sukuk Fund
Interim Condensed Financial Statements
For the Period Ended June 30, 2020

	Pages
Report on review of interim condensed financial statements	1
Interim statement of financial position	2
Interim statement of comprehensive income	3
Interim statement of cash flows	4
Interim statement of changes in equity attributable to unitholders	5
Notes to the interim condensed financial statements	6 – 9



Report on review of Interim Condensed Financial Statements

To the Unit holders and the Fund Manager of Samba Sovereign Sukuk Fund:

Introduction

We have reviewed the accompanying interim statement of financial position of Samba Sovereign Sukuk Fund (the "Fund") as of June 30, 2020, and the related statements of comprehensive income, cash flows and changes in equity attributable to unitholders for the six-month period then ended and the notes, comprising 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' as 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, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers

By: 
Bader I. Benmohareb
License Number 471

August 20, 2020

Samba Sovereign Sukuk Fund

INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	<i>Notes</i>	<i>June 30, 2020 (Unaudited) SR</i>	<i>December 31, 2019 (Audited) SR</i>	<i>June 30, 2019 (Unaudited) SR</i>
ASSETS				
Cash at bank	5,9	39,730,443	43,584,858	62,550,883
Investments measured at FVIS		1,152,198,084	1,186,953,680	1,062,216,380
Investments measured at amortised cost	4	49,928,965	202,882,898	281,073,349
TOTAL ASSETS		1,241,857,492	1,433,421,436	1,405,840,612
LIABILITIES				
Redemptions payable		1,634,256	3,103,573	620,929
Management fee payable	5	1,291,719	1,566,953	704,645
Other liabilities		125,898	72,213	63,939
TOTAL LIABILITIES		3,051,873	4,742,739	1,389,513
EQUITY ATTRIBUTABLE TO UNITHOLDERS		1,238,805,619	1,428,678,697	1,404,451,099
Units in issue		113,438,102	136,643,208	136,939,458
Per unit value	7	SR 10.9205	SR 10.4555	SR 10.2560

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

Samba Sovereign Sukuk Fund

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended June 30, 2020

	<i>Note</i>	2020 (Unaudited) SR	<i>April 17, 2019 to June 30, 2019 (Unaudited) SR</i>
INVESTMENT INCOME			
Special commission income		21,363,934	8,001,808
Gain on investments held at FVIS	6	38,372,280	26,519,873
TOTAL INCOME		59,736,214	34,521,681
EXPENSES			
Management fee	5	2,728,189	704,645
Others	5	247,376	63,939
(Reversal of) / provision for loss allowance		(28,859)	171,172
TOTAL EXPENSES		2,946,706	939,756
NET INCOME FOR THE PERIOD		56,789,508	33,581,925
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		56,789,508	33,581,925

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

Samba Sovereign Sukuk Fund

INTERIM STATEMENT OF CASH FLOWS

For the six month period ended June 30, 2020

	<i>Note</i>	2020 (Unaudited) SR	<i>April 17, 2019 to June 30, 2019 (Unaudited) SR</i>
OPERATING ACTIVITIES			
Net income for the period		56,789,508	33,581,925
<i>Adjustment for:</i>			
(Reversal of) / provision for loss allowance		(28,859)	171,172
Unrealized gain on investments held at FVIS	6	(34,799,857)	(26,519,873)
<i>Changes in operating assets and liabilities:</i>			
Investments measured at amortised cost		117,766,229	-
Investments measured at FVIS, net		69,555,453	(1,035,696,507)
Management fee payable		(275,234)	704,645
Other liabilities		53,685	63,939
Net cash generated from / (used in) operating activities		209,060,925	(1,027,694,699)
FINANCING ACTIVITIES			
Proceeds from units sold		121,209,829	1,506,469,029
Value of units redeemed, net		(369,341,732)	(134,978,926)
Net cash (used in) / generated from financing activities		(248,131,903)	1,371,490,103
NET CHANGE IN CASH AND CASH EQUIVALENTS		(39,070,978)	343,795,404
Cash and cash equivalents at the beginning of the period		128,811,143	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	89,740,165	343,795,404

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

Samba Sovereign Sukuk Fund

INTERIM STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the six month period ended June 30, 2020

	2020 <i>(Unaudited)</i> SR	<i>April 17, 2019 to</i> <i>30 Jun 2019</i> <i>(Unaudited)</i> SR
EQUITY VALUE AT THE BEGINNING OF THE PERIOD	1,428,678,697	-
CHANGES FROM OPERATIONS		
Total comprehensive income for the period	56,789,508	33,581,925
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	121,209,829	1,506,469,029
Value of units redeemed	(367,872,415)	(135,599,855)
Net change from unit transactions	(246,662,586)	1,370,869,174
EQUITY VALUE AT THE END OF THE PERIOD	1,238,805,619	1,404,451,099

Transactions in units for the periods ended June 30 are summarized as follows:

	2020 <i>(Unaudited)</i> Units	<i>April 17, 2019 to</i> <i>30 Jun 2019</i> <i>(Unaudited)</i> Units
UNITS AT THE BEGINNING OF THE PERIOD	136,643,208	-
Units sold	11,219,557	150,449,484
Units redeemed	(34,424,663)	(13,510,026)
Net change in units	(23,205,106)	136,939,458
UNITS AT THE END OF THE PERIOD	113,438,102	136,939,458

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

Samba Sovereign Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2020

1 GENERAL

Samba Sovereign Sukuk Fund (the Fund) is an open-ended investment fund designed for investors seeking long term capital growth. The assets of the Fund are invested in Sovereign Sukuk denominated in Saudi Riyals issued by the Government entities in the Kingdom of Saudi Arabia. All income is reinvested in the Fund and reflected in the unit price. The Manager may, at its sole discretion, distribute dividends to the unitholders based on the Fund's performance and market conditions. The Fund is managed by Samba Capital & Investment Management Company (the Manager), a wholly owned subsidiary of Samba Financial Group (the Bank).

The interim condensed financial statements should be read in conjunction with the annual audited financial statements of the Fund. The interim results may not be an indicator of the annual results of the Fund. There have been no changes to the risk management policies as set out in the audited financial statements for the year ended December 31, 2019.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the Regulations) published by the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia on 3 Dhul Hijja 1427H (corresponding to December 24, 2006) as amended by the resolution of the CMA Board on 16 Sha'aban 1437H (corresponding to May 23, 2016).

3 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2019.

4 INVESTMENTS MEASURED AT AMORTISED COST

	<i>June 30, 2020 (Unaudited) SR</i>	<i>December 31, 2019 (Audited) SR</i>	<i>June 30, 2019 (Unaudited) SR</i>
Trade finance investments with the Bank	50,009,722	35,011,910	115,382,375
Trade finance investments with other banks	-	167,980,604	165,862,146
Gross carrying value	50,009,722	202,992,514	281,244,521
Expected credit losses	(80,757)	(109,616)	(171,172)
Net carrying value	49,928,965	202,882,898	281,073,349

Set out below are the maturity details of gross carrying value of investments:

	<i>June 30, 2020 (Unaudited) SR</i>	<i>December 31, 2019 (Audited) SR</i>	<i>June 30, 2019 (Unaudited) SR</i>
Maturity within 3 months	50,009,722	85,226,285	165,506,125
Maturity within 3 – 12 months	-	117,766,229	115,738,396
	50,009,722	202,992,514	281,244,521

Samba Sovereign Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2020

4 INVESTMENTS MEASURED AT AMORTISED COST (continued)

4.1 Expected credit loss measurement

The table below shows the maximum exposure to credit risk on financial instruments subject to impairment.

	As at June 30, 2020				As at December 31, 2019	As at June 30, 2019
	Stage 1	Stage 2	Stage 3	Total	Total	Total
	12-month ECL SAR	Lifetime ECL SAR	Lifetime ECL SAR			
Cash at bank	39,730,443	-	-	39,730,443	43,584,858	62,550,883
Investments measured at amortised cost	50,009,722	-	-	50,009,722	202,992,514	281,244,521
Gross carrying amount	89,740,165	-	-	89,740,165	246,577,372	343,795,404
Expected credit losses	(80,757)	-	-	(80,757)	(109,616)	(171,172)
Carrying amount	89,659,408	-	-	89,659,408	246,467,756	343,624,232

5 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the ordinary course of business, the Fund transacts with the related parties. The principal related parties of the Fund are the Fund Manager, the Bank and the Fund Board.

The Fund records management fee payable to the Manager calculated at an annual rate of 0.40% (2019: 0.40%) of the net asset value at each Valuation Day. The Bank acts as one of the Fund's bankers. Cash at bank includes SAR 35,852,900 (2019: SAR 2,500,958) held with the Bank. Trade finance investments with the Bank are disclosed in note 4.

6 GAINS ON INVESTMENTS AT FVIS, NET

	2020 (Unaudited) SR	April 17, 2019 to 30 Jun 2019 (Unaudited) SR
Realised gains	3,572,422	-
Unrealised gains	34,799,857	26,519,873
	38,372,279	26,519,873

7 EFFECT ON EQUITY VALUE IF EXPECTED CREDIT LOSSES ARE NOT RECOGNIZED

In accordance with CMA circular no. 1/6/1872/17 dated 13 Rabi Al-Thani 1439H (corresponding to December 31, 2017), the CMA Board decided on 10 Rabi Al-Thani 1439H (corresponding to December 28, 2017) to restrict the recording of expected credit losses calculated in accordance with IFRS 9 only for the purpose of the investment fund's financial statements.

Samba Sovereign Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2020

7 EFFECT NET EQUITY VALUE IF EXPECTED CREDIT LOSSES ARE NOT RECOGNIZED (continued)

Adjustment of the unit price calculated according to the applicable financial reporting framework alongside with the unit price calculated for the purpose of unit transactions is as set out below:

i) Expected credit losses on financial assets is as set out below

	<i>As at June 30, 2020 (Unaudited) SAR</i>	<i>As at December 31, 2019 (Audited) SAR</i>	<i>As at June 30, 2019 (Unaudited) SAR</i>
Expected credit losses on financial assets	80,757	109,616	171,172
Units in issue	113,438,102	136,643,208	136,939,458
Per unit share in expected credit losses	0.0007	0.0008	0.0012

ii) The net equity values, after incorporating expected credit losses is set out below

	<i>As at June 30, 2020 (Unaudited) SAR</i>	<i>As at December 31, 2019 (Audited) SAR</i>	<i>As at June 30, 2019 (Unaudited) SAR</i>
Net equity value per unit expected credit losses as per these interim condensed financial statements	10.9205	10.4555	10.2560
Per unit share in expected credit losses	0.0007	0.0008	0.0012
Net equity value per unit before expected credit losses	10.9212	10.4563	10.2572

8 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities as at June 30, 2020, December 31, 2019 and June 30, 2019 were classified under amortised cost category.

9 CASH AND CASH EQUIVALENTS

	<i>June 30, 2020 (Unaudited) SAR</i>	<i>December 31, 2019 (Audited) SAR</i>	<i>June 30, 2019 (Unaudited) SAR</i>
Trade finance investments with an original maturity of three months or less	50,009,722	85,226,285	281,244,521
Cash at Bank	39,730,443	43,584,858	62,550,883
	89,740,165	128,811,143	343,795,404

Samba Sovereign Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2020

10 FAIR VALUE ESTIMATION

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 Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

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

The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values except for the investments held at FVIS which are classified as level 2. The revaluation is carried out by taking average of best price and offer available on Saudi Stock Exchange (Tadawul) as at June 30, 2020.

11 LAST VALUATION DAY

The last valuation date for the purpose of preparation of these interim condensed financial statements was June 30, 2020 (2019: June 30, 2019).

12 IMPACT OF COVID-19

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by Government to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our operations.

The prevailing economic conditions post lock down, require the Fund to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Fund in estimation of ECL or revisions to the scenario probabilities currently being used by the Fund in ECL estimation. The Fund has made certain adjustments to the macroeconomic factors and scenario weightings during the period and has adjusted the ECL accordingly.

The Fund's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Fund will continue to reassess its position and the related impact on a regular basis.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the Government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

13 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Board on August 19, 2020.