

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by
MIDDLE EAST FINANCIAL INVESTMENT COMPANY
UNAUDITED INTERIM CONDENSED FINANCIAL
STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2020
together with the
INDEPENDENT AUDITOR'S REVIEW REPORT

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT
For the six months' period ended 30 June 2020

	PAGE
Independent auditor's review report	2
Interim condensed statement of financial position	3
Interim condensed statement of comprehensive income	4
Interim condensed statement of changes in net assets attributable to Unitholders	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial statements	7 – 12

INDEPENDENT AUDITOR'S REVIEW REPORT

**To the Unitholders of
MEFIC Saudi Freestyle Equity Fund
Managed by Middle East Financial Investment Company
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying interim condensed financial statements of **MEFIC Saudi Freestyle Equity Fund** ("the Fund") managed by Middle East Financial Investment Company ("MEFIC") that include the interim condensed statement of financial position as of 30 June 2020 and the related interim condensed statements of comprehensive income, changes in net assets attributable to Unitholders and cash flows for the six months period then ended, and a summary of selected significant accounting policies and other explanatory notes from (1) to (14).

Management is responsible for the preparation and fair presentation of these Interim condensed financial statements in accordance with International Accounting Standard 34 ("IAS 34") - "Interim Financial Reporting" 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 Dr. Mohamed Al-Amri & Co.



Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 01 Muharram 1442 (H)
Corresponding to: 20 August 2020 (G)

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019
(Saudi Riyals)

	Notes	30 June 2020 Unaudited	31 December 2019 Audited
<u>ASSETS</u>			
Cash and cash equivalents	7	1,371,626	260,648
Investments	8	4,428,353	7,005,027
Dividend receivable		5,344	-
Total assets		<u>5,805,323</u>	<u>7,265,675</u>
<u>LIABILITIES</u>			
Management fee payable	10&11	7,723	10,551
Other expenses payable	10&11	2,703	3,693
Total liabilities		<u>10,426</u>	<u>14,244</u>
Net assets attributable to Unitholders		<u>5,794,897</u>	<u>7,251,431</u>
Units in issue - numbers		<u>45,662.7879</u>	<u>53,456.5930</u>
Net assets value - per unit		<u>126.9063</u>	<u>135.6508</u>
Contingencies and commitments	9		

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six month period ended 30 June 2020
(Saudi Riyals)

	Notes	<u>2020</u>	<u>2019</u>
INCOME			
Dividend income		69,977	127,615
Realized (loss)/gain on disposal of investments at FVTPL	8	(230,080)	260,883
Unrealized (loss)/gain on investments at FVTPL	8	(77,159)	569,719
Other income		37	28
Total income		<u>(237,225)</u>	<u>958,245</u>
EXPENSES			
Management fee	10&11	45,137	65,584
Other expenses	10&11	15,798	22,954
Transaction cost		5,508	6,663
Total operating expenses		<u>66,442</u>	<u>95,201</u>
(Loss)/profit for the period		<u>(303,667)</u>	<u>863,044</u>
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the period		<u><u>(303,667)</u></u>	<u><u>863,044</u></u>

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company
**INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO UNITHOLDERS (UNAUDITED)**
For the six month period ended 30 June 2020
(Saudi Riyals)

	<u>2020</u>	<u>2019</u>
Net assets value at 1 January	7,251,431	6,753,841
Total comprehensive (loss)/income for the period	(303,667)	863,044
Changes from unit transactions		
Proceeds from units issued	861,194	1,246,199
Payments for units redeemed	(2,014,061)	(1,889,000)
Net assets at 30 June	<u>5,794,897</u>	<u>6,974,084</u>

TRANSACTIONS WITH UNITHOLDERS

	<u>2020</u>	<u>2019</u>
	Units	Units
Units at 1 January	53,456.5930	57,834.2275
Units issued during the period	6,898.8458	10,524.8649
Units redeemed during the period	(14,692.6509)	(14,948.9446)
Net decrease in units	(7,793.8051)	(4,424.0797)
Units at 30 June	<u>45,662.7879</u>	<u>53,410.1478</u>

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six month period ended 30 June 2020
(Saudi Riyals)

	Notes	30 June 2020	30 June 2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss)/profit for the period		(303,667)	863,044
<i>Adjustment for:</i>			
Realized loss/(gain) on disposal of investments at FVTPL	8	230,080	(260,883)
Unrealized loss/(gain) on investments at FVTPL	8	77,159	(569,719)
Changes in operating assets and liabilities:			
Purchase of financial assets at FVTPL	8	(757,204)	(1,851,132)
Proceeds from disposal of financial assets at FVTPL	8	3,026,638	3,024,054
Dividend receivable		(5,344)	(2,440)
Management fee payable		(2,827)	86
Other expenses payable		(990)	31
Net cash generated from operating activities		2,263,845	1,203,041
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from units issued		861,194	1,246,199
Payments for units redeemed		(2,014,061)	(1,889,000)
Net cash used in financing activities		(1,152,867)	(642,801)
Net increase in cash and cash equivalents		1,110,978	560,240
Cash and cash equivalents at 1 January		260,648	2,492,542
Cash and cash equivalents at 30 June	7	1,371,626	3,052,782

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

MEFIC Saudi Freestyle Equity Fund (the “Fund”) is an open-ended investment fund established and managed through an agreement between Middle East Financial Investment Company (the “Fund Manager”) and the Fund Investors (the “Unitholders”).

The Fund aims to achieve capital growth over the long term through investing primarily in stocks of Shariah compliant companies that are listed on the main and parallel stock market of Saudi Arabia and included in Standard and Poor’s Shariah index.

The Fund commenced its operations on 14 Rabi’ Al-Thani 1439H (corresponding to 1 January 2018G). The approval from Capital Market Authority (“CMA”) for the establishment of the Fund was granted in its letter number 17/3403/5/3 dated 18 Ramadan 1438H (corresponding to 13 June 2017G).

The Fund is required to maintain minimum net assets of SR 10 million however, the Funds registered under CMA received an exemption to meet the said requirement till 31 December 2020 by way of circular dated 29 November 2018.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit.

A novel strain of coronavirus (Covid-19) was first identified at the end of December 2019 and subsequently declared as a pandemic in March 2020 by the World Health Organization (WHO). Covid-19 continues to spread in some regions around the world, including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities and hence a slowdown of economic activities and shutdown of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Fund’s business, operations, and financial results is uncertain and depends on many factors and future developments, that the Fund may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity.

As of the date of the issuance of the interim condensed financial statements for the six months ended 30 June 2020, the slow-down of economic activity was reflected in performance of Saudi Stock Market (Tadawul), as a result the Fund incurred unrealised losses on its investments.

2. REGULATORY FRAMEWORK

The Fund is governed by the Investment Funds Regulations (“the Regulations”) issued by CMA as amended up to 16 Sha’ban 1437 H (corresponding to 23 May 2016 G) detailing requirements for investment funds operating in the Kingdom of Saudi Arabia.

3. SUBSCRIPTION / REDEMPTION (DEALING DAY AND VALUATION DAY)

Subscription / redemption requests are accepted on all days on which the Tadawul is open.

The value of the Fund’s portfolio is determined twice a week on Monday and Thursday (each being a “Valuation Day”). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (Fund’s assets minus Fund’s liabilities) by the total number of outstanding Fund units on the next valuation day.

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

4. BASIS OF PREPARATION

4.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard - 34 “Interim Financial Reporting” as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and the requirements of the Investment Funds Regulations as published by CMA and the Fund’s terms and conditions, so far as they relate to the preparation and presentation of the financial statements.

These Interim condensed financial statements are unaudited. The disclosures made in this interim condensed financial statements have been limited in accordance with the requirements of “International Accounting Standard - 34 “Interim Financial Reporting”. This does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Fund for the year ended 31 December 2019.

The comparative statement of financial position presented in this interim condensed financial statements has been extracted from the annual audited financial statements of the Fund for the year ended 31 December 2019, whereas the comparative interim condensed statement of comprehensive income, interim condensed statement of changes in net assets attributable to unitholders, and interim condensed statement of cash flows are extracted from the unaudited interim condensed financial statements of the Fund for the six months period ended 30 June 2019.

4.2 Basis of measurement and going concern assumption

These financial statements have been prepared under the historical cost convention, except for certain financial assets, which are measured at fair value. These financial statements have been prepared following the accruals basis of accounting except for cash flow information.

The Fund’s interim statement of financial position is not presented using a current / non-current classification. All balances of the Fund would generally be classified as current.

4.3 Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR), which is the functional and presentation currency of the Fund. All financial information has been rounded to the nearest Saudi Riyal.

4.4 Financial year

The financial year of the Fund commences on 1 January and ends on 31 December of each calendar year, unless otherwise stated.

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this Interim condensed financial statements are the same as those applied in the preparation of audited annual financial statements of the Fund for the year ended 31 December 2019.

The Fund has adopted all the new amendments to existing standards, including any consequential amendments to other standards which are applicable for the financial year beginning on or after 1 January 2020. The adoption of these new and amended standards do not have any material effect on these interim condensed financial statements.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these interim condensed financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

During the preparation of this interim condensed financial statements, the significant judgements made by the management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements of the Fund for the year ended 31 December 2019.

7. CASH AND CASH EQUIVALENTS

	<u>30 June 2020</u>	<u>31 December 2019</u>
Cash held with custodian	<u>1,371,626</u>	<u>260,648</u>
	<u>1,371,626</u>	<u>260,648</u>

MEFIC SAUDI FREESTYLE EQUITY FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

8. INVESTMENTS

	Notes	30 June 2020	31 December 2019
Financial assets - at fair value through profit or loss			
Listed equity securities	(a)	4,428,353	7,005,027

a) Movement in the equity securities during the year is as follows:

Opening balance	7,005,027	4,274,746
Purchased during the period /year	757,204	5,271,471
Sold during the period /year	(3,026,638)	(3,670,949)
Realized gain on disposal of investments at FVTPL	(230,080)	346,023
Unrealized gain on investments at FVTPL	(77,159)	783,736
Closing balance	4,428,353	7,005,027

b) The classification of investments at FVTPL into industry groups specified by Saudi Stock Exchange is as follows:

<u>Industry group</u>	<u>Market value</u> 30 June 2020	<u>Market value (%)</u>
Banks	414,309	9.36%
Insurance	284,466	6.42%
Materials	715,571	16.16%
Health Care Equipment and Service	1,223,225	27.62%
Retailing	489,039	11.04%
Transportation	226,859	5.12%
Foods	367,989	8.31%
Consumer Services	339,511	7.67%
Telecommunication Services	108,900	2.46%
Energy	258,484	5.84%
	4,428,353	100%

<u>Industry group</u>	<u>Market value</u> 31 December 2019	<u>Market value (%)</u>
Banks	1,326,919	18.94%
Insurance	443,250	6.33%
Health Care Equipment and Service	1,068,431	15.25%
Retailing	601,344	8.58%
Transportation	439,971	6.28%
Foods	728,352	10.40%
Consumer services	211,833	3.02%
Utilities	277,879	3.97%
Materials	1,219,139	17.40%
Energy	687,909	9.82%
	7,005,027	100%

MEFIC SAUDI FREESTYLE EQUITY FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

9. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at the reporting date.

10. MANAGEMENT FEE AND OTHER CHARGES

The Fund Manager charges the following fee as per the terms and conditions of the Fund:

Subscription fee

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 2% of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

Management fee

Management fee at the rate of 1.75% per annum of the net assets value of the Fund at each valuation day and is payable monthly.

Other expenses

Other expenses at the rate of 0.5% per annum of the net assets value of the Fund at each valuation day and is payable monthly.

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts business with its related parties. Related parties of the Fund include the Unitholders, the Fund Manager and other funds managed by the Fund manager. Related party transactions are in accordance with the terms and conditions of the Fund. All transactions with related parties are carried out based on mutually agreed prices under formal agreement. Related party transactions and balances are as follows:

Related Party	Nature of transaction	30 June 2020	30 June 2019
Middle East Financial Investment Company (the "Fund Manager")	Management fee	45,137	65,584
	Other expenses	15,798	22,954
Related party balances as at reporting date are as follows:			
Related party	Nature of transaction	30 June 2020	31 December 2019
Middle East Financial Investment Company (the "Fund Manager")	Management fee	7,723	10,551
	Other expenses	2,703	3,693

12. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk).

This interim condensed financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Fund's audited annual financial statements for the year ended 31 December 2019.

There have been no significant changes in the risk management policies since the year end.

MEFIC SAUDI FREESTYLE EQUITY FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

13. LAST VALUATION DATE

The last valuation date of the period was 30 June 2020.

14. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board on 01 Muharram 1442 H corresponding to 20 August 2020G.
