

**Al Rajhi Commodities Mudaraba Fund –
United States Dollar
(Managed by Al Rajhi Capital)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS 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 Rajhi Commodities Mudaraba Fund - United States Dollar**

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Al Rajhi Commodities Mudaraba Fund - United States Dollar (the "Fund") managed by Al Rajhi Capital (the "Fund Manager") as at 30 June 2020 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2020, 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

Yousef A. AlMubarak
Certified Public Accountant
License No. 427

Riyadh: 4 Muharram 1442H
(23 August 2020)



AL RAJHI COMMODITIES MUDARABA FUND – UNITED STATES DOLLAR

Interim condensed statement of financial position

As at 30 June 2020

	<i>Note</i>	30 June 2020 (Unaudited) USD	31 December 2019 (Audited) USD
ASSETS			
Cash and cash equivalents	4	8,820,464	12,455,905
Financial assets at fair value through profit or loss (FVTPL)	5	19,396,132	10,229,444
Financial assets measured at amortised cost	6	173,684,945	135,601,017
Accrued special commission		810,035	925,142
TOTAL ASSETS		202,711,576	159,211,508
LIABILITIES			
Management fee payable	7	115,716	53,105
Accrued expenses and other payables	8	13,558	15,245
TOTAL LIABILITIES		129,274	68,350
EQUITY			
Net assets attributable to the unitholders of redeemable units		202,582,302	159,143,158
TOTAL LIABILITIES AND EQUITY		202,711,576	159,211,508
Redeemable units in issue		87,403	69,299
Net asset value attributable to each per unit		2,317.80	2,296.47

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

AL RAJHI COMMODITIES MUDARABA FUND – UNITED STATES DOLLAR

Unaudited interim condensed statement of comprehensive income

For the six-month period ended 30 June 2020

	<i>Note</i>	2020 USD	2019 USD
INCOME			
Special commission income		1,657,875	2,236,631
Net unrealized gain (loss) on financial assets at FVTPL		125,918	(58,886)
Net realized gain on financial assets at FVTPL		25,601	200,084
		1,809,394	2,377,829
EXPENSES			
Management fees	7	(276,587)	(374,800)
Other expenses	9	(9,143)	(8,842)
		(285,730)	(383,642)
NET INCOME FOR THE PERIOD		1,523,664	1,994,187
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,523,664	1,994,187

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

AL RAJHI COMMODITIES MUDARABA FUND – UNITED STATES DOLLAR

Unaudited interim condensed statement of changes equity

For the six-month period ended 30 June 2020

	<i>2020</i> <i>USD</i>	<i>2019</i> <i>USD</i>
EQUITY AT THE BEGINNING OF THE PERIOD	159,143,158	149,009,083
Net income for the period	1,523,664	1,994,187
Other comprehensive income for the period	-	-
Total comprehensive income for the period	1,523,664	1,994,187
Issue of units during the period	73,482,350	31,160,364
Redemption of units during the period	(31,566,870)	(34,089,020)
EQUITY AT THE END OF THE PERIOD	202,582,302	148,074,614
	<i>Units</i>	<i>Units</i>
REDEEMABLE UNIT TRANSACTIONS		
Transactions in redeemable units during the period are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	69,299	66,521
Issue of units during the period	31,791	13,866
Redemption of units during the period	(13,687)	(15,143)
Net increase (decrease) in units	18,104	(1,277)
UNITS AT THE END OF THE PERIOD	87,403	65,244

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

AL RAJHI COMMODITIES MUDARABA FUND – UNITED STATES DOLLAR

Unaudited interim condensed statement of cash flows

For the six-month period ended 30 June 2020

	2020 USD	2019 USD
Operating activities		
Net income for the period	1,523,664	1,994,187
<i>Adjustments to reconcile net income to net cash flows used in operating activities:</i>		
Movement in unrealised (gain) loss on financial assets at FVTPL	(125,918)	58,886
<i>Working capital adjustments:</i>		
Increase in financial assets at FVTPL	(9,040,770)	(2,660,866)
Decrease (increase) in accrued special commission	115,107	(11,060)
Increase (decrease) in management fee payable	62,611	(7,847)
Decrease in accrued expenses and other payables	(1,687)	(2,744)
Net cash flows used in operating activities	(7,466,993)	(629,444)
Investing activities		
Purchase of financial assets measured at amortised cost	(152,965,500)	(696,883)
Proceeds from maturity/disposal of financial assets measured at amortised cost	114,881,572	14,470,000
Net cash flows (used in) from investing activities	(38,083,928)	13,773,117
Financing activities		
Proceeds from issuance of units	73,482,350	31,160,364
Payment on redemption of units	(31,566,870)	(34,089,020)
Net cash flows from (used in) financing activities	41,915,480	(2,928,656)
Net (decrease) increase in cash and cash equivalents	(3,635,441)	10,215,017
Cash and cash equivalents at the beginning of the period	12,455,905	43,391,142
Cash and cash equivalents at the end of the period	8,820,464	53,606,159
<u>Operational cash flows from special commission income:</u>		
Special commission income received	1,774,091	2,225,571

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

AL RAJHI COMMODITIES MUDARABA FUND – UNITED STATES DOLLAR

Notes to unaudited interim condensed financial statements

At 30 June 2020

1. INCORPORATION AND ACTIVITIES

Al Rajhi Commodities Mudaraba Fund – United States Dollar (the “Fund”) is an open-ended investment fund created by an agreement between Al Rajhi Capital (the “Fund Manager”), a wholly owned subsidiary of the Al Rajhi Banking and Investment Corporation (the “Bank”), and investors (the “Unitholders”) in the Fund. The address of the Fund Manager is as follows:

Al Rajhi Capital, Head Office
8467 King Fahad Road, Al Muruj District
P.O. Box 2743
Riyadh 11263
Kingdom of Saudi Arabia

The Fund is designed for investors seeking current income consistent with the preservation of capital and liquidity. The assets of the Fund are invested in Murabaha funds and in Murabaha transactions executed in accordance with Sharia principles. Murabaha comprises purchases of goods and commodities from approved suppliers against immediate payment and selling them to reputed organisations on deferred payment terms, thereby generating a profit. All the trading profits are reinvested in the Fund. The Fund was established on 14 December 1990.

The Fund has appointed AlBilad Investment Company (the “Custodian”) to act as its custodian. The fees of the custodian 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.

Based on historical information, between 10% and 40% of the Fund's units are redeemed throughout the year.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the Capital Market Authority (“CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding to 6 November 2016) by the New Investment Fund Regulations (“Amended Regulations”) published by the CMA 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 for the six-month period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2019.

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for financial assets held at FVTPL that are measured at fair value. These interim condensed financial statements are presented in United States Dollar (“USD”), which is the Fund's functional currency. All financial information presented has been rounded to the nearest USD.

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.

AL RAJHI COMMODITIES MUDARABA FUND – UNITED STATES DOLLAR

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

4. CASH AND CASH EQUIVALENTS

	30 June 2020 (Unaudited) USD	31 December 2019 (Audited) USD
Bank balances – current account	620,464	455,905
Short term murabaha placements with other banks with original maturity of three months or less	8,200,000	12,000,000
	8,820,464	12,455,905

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

The composition of the investment's portfolio on the last valuation day of the period/year end is summarised below:

	30 June 2020 (Unaudited)			
	% of Market Value	Cost USD	Market value USD	Unrealised gain USD
Al Rajhi Commodity Mudaraba Fund – Saudi Riyal	100.00	19,083,605	19,396,132	312,527
	31 December 2019 (Audited)			
	% of Market Value	Cost USD	Market value USD	Unrealised gain USD
Al Rajhi Commodity Mudaraba Fund – Saudi Riyal	100.00	10,042,835	10,229,444	186,609

Investments in mutual funds are unrated. The Fund also does not have an internal grading mechanism. However, the Fund Manager seeks to limit its risk by monitoring each investment exposure and setting limits for individual investment.

6. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	30 June 2020 (Unaudited) USD	31 December 2019 (Audited) USD
Murabaha placements with the other banks	170,270,000	132,375,000
Sukuk	3,414,945	3,226,017
	173,684,945	135,601,017

AL RAJHI COMMODITIES MUDARABA FUND – UNITED STATES DOLLAR

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

6. FINANCIAL ASSETS MEASURED AT AMORTISED COST (continued)

Murabaha placements with the other banks are composed of the following:

<u>30 June 2020 (Unaudited)</u>	<i>% of</i>	<i>Cost</i>
Remaining maturity	<i>Value</i>	<i>USD</i>
Up to 1 month	15.03	25,600,000
1-3 months	40.25	68,530,000
3-6 months	39.40	67,090,000
6-9 months	5.32	9,050,000
	100.00	170,270,000

<u>31 December 2019 (Audited)</u>	<i>% of</i>	<i>Cost</i>
Remaining maturity	<i>Value</i>	<i>USD</i>
Up to 1 month	18.75	24,825,000
1-3 months	52.34	69,280,000
3-6 months	15.31	20,270,000
6-9 months	7.55	10,000,000
9-12 months	6.05	8,000,000
	100.00	132,375,000

Sukuk is summarised below:

<i>As at 30 June 2020 (Unaudited)</i>	<i>Maturity date</i>	<i>USD</i>
Sharjah Government Sukuk 2024	17 September 2024	1,012,551
State of Qatar Sukuk	18 January 2023	1,006,894
Almarai Sukuk	5 March 2024	700,000
Mumtalakat Sukuk	21 January 2027	495,500
Sharjah Government Sukuk 2027	10 June 2027	200,000
		3,414,945

<i>As at 31 December 2019 (Audited)</i>	<i>Maturity date</i>	<i>USD</i>
State of Qatar Sukuk	18 January 2023	1,512,077
Sharjah Government Sukuk 2024	17 September 2024	1,013,940
Almarai Sukuk	5 September 2024	700,000
		3,226,017

7. TRANSACTIONS WITH RELATED PARTIES

A. Transactions and balances with Fund Manager

In the ordinary course of its activities, the Fund transacts business with related parties.

The Fund pays a management fee at a maximum rate of 16% per annum (30 June 2019: 16%) calculated on the Fund's special commission. The fee is intended to compensate the Fund Manager for administration of the Fund.

The management fees amounting to USD 276,587 (30 June 2019: USD 374,800) reflected in the interim condensed statement of comprehensive income represent the fees charged by the Fund Manager during the period as described above.

AL RAJHI COMMODITIES MUDARABA FUND – UNITED STATES DOLLAR

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

7. TRANSACTIONS WITH RELATED PARTIES (continued)

A. Transactions and balances with Fund Manager (continued)

As at 30 June 2020, management fees amounting to USD 115,716 (31 December 2019: USD 53,105) are payable to the Fund Manager.

In the normal course of business, the Fund places Murabaha investments with the Bank at prevailing market rates. Murabaha investments involve typically the purchase of a commodity by the Fund for the purpose of its re-sale. The re-sale and the related mark up over cost is agreed with a counterparty at the inception of the Murabaha transaction deals.

The units in issue at 30 June 2020 include Nil units held by the employees of the Fund Manager (31 December 2019: Nil units).

The units in issue at 30 June 2020 include Nil units held by the Fund Manager (31 December 2019: Nil units).

At the end of the period, the cash balance with the Bank is USD 616,247 (31 December 2019: USD 455,095).

B. Transactions with Board of Directors

The independent directors are entitled to remuneration for their services at rates determined by the Fund's terms and conditions in respect of attending meetings of the board of directors or meetings of the Fund. Independent director's fees are currently USD 1,333 per meeting up to a maximum of 2 meetings per annum per director which is paid equally by all funds supervised by the board.

Board of Directors' fees amounting to USD 140 (30 June 2019: USD 198) was charged during the period. As at 30 June 2019, Board of Directors' fees amounting to USD 140 (31 December 2019: USD 198) is payable to the Fund's Board of Directors.

8. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2020 (Unaudited) USD	31 December 2019 (Audited) USD
Accrued audit fees	4,874	9,800
Accrued CMA fees	994	2,000
Other accrued expenses	7,690	3,445
	<u>13,558</u>	<u>15,245</u>

9. OTHER EXPENSES

	2020 (Unaudited) USD	2019 (Unaudited) USD
Audit fees	4,874	4,860
CMA fees	994	992
Tadawul fees	697	694
Others	2,578	2,296
	<u>9,143</u>	<u>8,842</u>

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has only investments at FVTPL which is measured at fair values and are classified within level 2 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.

AL RAJHI COMMODITIES MUDARABA FUND – UNITED STATES DOLLAR

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

11. 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 USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Cash and cash equivalents	8,820,464	-	8,820,464
Financial assets at FVTPL	19,396,132	-	19,396,132
Financial assets measured at amortised cost	170,270,000	3,414,945	173,684,945
Accrued special commission	810,035	-	810,035
TOTAL ASSETS	199,296,631	3,414,945	202,711,576
LIABILITIES			
Management fee payable	115,716	-	115,716
Accrued expenses and other payables	13,558	-	13,558
TOTAL LIABILITIES	129,274	-	129,274
<i>As at 31 December 2019 (Audited)</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Cash and cash equivalents	12,455,905	-	12,455,905
Financial assets at FVTPL	10,229,444	-	10,229,444
Financial assets measured at amortised cost	132,375,000	3,226,017	135,601,017
Accrued special commission	925,142	-	925,142
TOTAL ASSETS	155,985,491	3,226,017	159,211,508
LIABILITIES			
Management fee payable	53,105	-	53,105
Accrued expenses and other payables	15,245	-	15,245
TOTAL LIABILITIES	68,350	-	68,350

12. LAST VALUATION DAY

The last valuation day of the period/year was 30 June 2020 (year ended 31 December 2019: 31 December 2019).

13. 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 immaterial additional expected credit losses in the Fund’s financial assets measured at amortised cost driven by changes in the macroeconomic factors and assumptions. 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.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund’s management on 4 Muharram 1442H (corresponding to 23 August 2020).