

**Al Rajhi MENA Dividend Growth Fund**  
**(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**

**Independent auditor's review report on the interim condensed financial statements  
To the Unitholders of Al Rajhi MENA Dividend Growth Fund**

**Introduction:**

We have reviewed the accompanying interim condensed statement of financial position of Al Rajhi MENA Dividend Growth Fund (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.

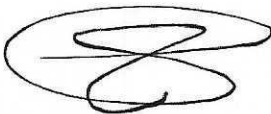
**Scope of Review:**

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)





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To the Unitholders of Al Rajhi MENA Dividend Growth Fund**

**Introduction:**

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**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 MENA DIVIDEND GROWTH FUND

## Interim condensed statement of financial position

As at 30 June 2020

|   |             | <b>30 June<br/>2020<br/>(Unaudited)<br/>SR</b> | <b>31 December<br/>2019<br/>(Audited)<br/>SR</b> |
|---|-------------|--|--|
|   | <i>Note</i> |  |  |
| <b>ASSETS</b>   |             |  |  |
| Bank balance  |             | <b>1,989,803</b>                               | 402,480  |
| Financial assets at fair value through profit or loss (FVTPL) | 4           | <b>33,225,040</b>                              | 45,438,962                                       |
| Dividends receivable  |             | <b>741,037</b>                                 | 637,751  |
| Other receivables   |             | -  | 5,259,430  |
| <b>TOTAL ASSETS</b>   |             | <b>35,955,880</b>                              | 51,738,623                                       |
| <b>LIABILITIES</b>  |             |  |  |
| Management fee payable  | 5           | <b>105,126</b>                                 | 243,945  |
| Redemption payable  |             | <b>100,644</b>                                 | 200,000  |
| Accrued expenses and other payables                           | 6           | <b>103,078</b>                                 | 115,635  |
| <b>TOTAL LIABILITIES</b>                                      |             | <b>308,848</b>                                 | 559,580  |
| <b>EQUITY</b>   |             |  |  |
| Net assets attributable to unitholders of redeemable units    |             | <b>35,647,032</b>                              | 51,179,043                                       |
| <b>TOTAL LIABILITIES AND EQUITY</b>                           |             | <b>35,955,880</b>                              | 51,738,623                                       |
| Redeemable units in issue                                     |             | <b>438,523</b>                                 | 578,652  |
| Net asset value attributable to each per unit                 |             | <b>81.29</b>                                   | 88.45  |

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

## AL RAJHI MENA DIVIDEND GROWTH FUND

### Unaudited interim condensed statement of comprehensive income

For the six-month period ended 30 June 2020

|   | <i>Note</i> | <b>2020</b><br><b>SR</b> | <b>2019</b><br><b>SR</b> |
|---|-------------|--------------------------|--------------------------|
| <b>INCOME</b>   |             |                          |                          |
| Net unrealized (loss) gain on financial assets at FVTPL |             | <b>(742,350)</b>         | 489,158                  |
| Net realized (loss) gain on financial assets at FVTPL   |             | <b>(3,972,864)</b>       | 3,413,506                |
| Dividend income   |             | <b>923,076</b>           | 1,558,326                |
| <b>TOTAL (LOSS) INCOME</b>                              |             | <b>(3,792,138)</b>       | 5,460,990                |
| <b>EXPENSES</b>   |             |                          |                          |
| Management fees   | 5           | <b>(360,039)</b>         | (543,867)                |
| Purification charges                                    | 7           | <b>(32,540)</b>          | (57,244)                 |
| Other expenses  | 8           | <b>(51,104)</b>          | (50,921)                 |
| <b>TOTAL EXPENSES</b>                                   |             | <b>(443,683)</b>         | (652,032)                |
| <b>NET (LOSS) INCOME FOR THE PERIOD</b>                 |             | <b>(4,235,821)</b>       | 4,808,958                |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>        |             | -                        | -                        |
| <b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b> |             | <b>(4,235,821)</b>       | 4,808,958                |

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

# AL RAJHI MENA DIVIDEND GROWTH FUND

## Unaudited interim condensed statement of changes in equity

For the six-month period ended 30 June 2020

|  | 2020<br>SR        | 2019<br>SR        |
|--|-------------------|-------------------|
| <b>EQUITY AT THE BEGINNING OF THE PERIOD</b>     | <b>51,179,043</b> | <b>55,367,317</b> |
| Net (loss) income for the period                 | (4,235,821)       | 4,808,958         |
| Other comprehensive income for the period        | -                 | -                 |
| Total comprehensive (loss) income for the period | (4,235,821)       | 4,808,958         |
| Issue of units during the period                 | 258,556           | 2,555,946         |
| Redemption of units during the period            | (10,894,702)      | (3,252,036)       |
| Payment of dividends to unitholders              | (660,044)         | (971,648)         |
| <b>EQUITY AT THE END OF THE PERIOD</b>           | <b>35,647,032</b> | <b>58,508,537</b> |

|   | <u>Units</u>   | <u>Units</u>   |
|---|----------------|----------------|
| <b>REDEEMABLE UNIT TRANSACTIONS</b>   |                |                |
| Transactions in redeemable units during the period are summarised as follows: |                |                |
| <b>UNITS AT THE BEGINNING OF THE PERIOD</b>                                   | <b>578,652</b> | <b>642,223</b> |
| Issue of units during the period  | 3,020          | 27,817         |
| Redemption of units during the period   | (143,149)      | (35,562)       |
| Net decrease in units   | (140,129)      | (7,745)        |
| <b>UNITS AT THE END OF THE PERIOD</b>   | <b>438,523</b> | <b>634,478</b> |

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

## AL RAJHI MENA DIVIDEND GROWTH FUND

### Unaudited interim condensed statement of cash flows

For the six-month period ended 30 June 2020

|  | 2020<br>SR   | 2019<br>SR  |
|--|--------------|-------------|
| <b>Operating activities</b>  |              |             |
| Net (loss) income for the period   | (4,235,821)  | 4,808,958   |
| <i>Adjustments to reconcile net (loss) income to net cash flows from operating activities:</i> |              |             |
| Movement in unrealised loss (gain) on financial assets at FVTPL                                | 742,350      | (489,158)   |
| <i>Working capital adjustments:</i>  |              |             |
| Decrease in financial assets at FVTPL  | 11,471,572   | 2,004,034   |
| Increase in dividends receivable   | (103,286)    | (386,801)   |
| Decrease (increase) in other receivables   | 5,259,430    | (358,867)   |
| Decrease in management fee payable   | (138,819)    | (2,318)     |
| Decrease in redemption payable   | (99,356)     | -           |
| Decrease in accrued expenses and other payables  | (12,557)     | (23,906)    |
| Net cash flows from operating activities   | 12,883,513   | 5,551,942   |
| <b>Financing activities</b>  |              |             |
| Proceeds from issuance of units  | 258,556      | 2,555,946   |
| Payment on redemption of units   | (10,894,702) | (3,252,036) |
| Payment of dividends to unitholders  | (660,044)    | (971,648)   |
| Net cash flows used in financing activities  | (11,296,190) | (1,667,738) |
| <b>Net increase in bank balance</b>  | 1,587,323    | 3,884,204   |
| Bank balance at the beginning of the period  | 402,480      | 432,952     |
| <b>Bank balance at the end of the period</b>   | 1,989,803    | 4,317,156   |
| <b><u>Operational cash flows from dividends:</u></b>   |              |             |
| Dividends received   | 819,790      | 1,171,525   |

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



# AL RAJHI MENA DIVIDEND GROWTH FUND

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## Notes to unaudited interim condensed financial statements

At 30 June 2020

### 1. INCORPORATION AND ACTIVITIES

Al Rajhi MENA Dividend Growth Fund (the "Fund") is an open-ended investment fund established under 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 to invest in Middle East and North Africa (MENA) region in accordance with Islamic principles (Sharia) with concentration on shares with high dividend yield. The Fund distributes dividends to Unitholders on a semi-annual basis. The Fund's net income after distribution of dividends is to be reinvested in the Fund, which affects the value and price per unit. The Fund was established on 21 Jumad Al Thani 1433H (corresponding to 12 May 2012).

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 25% 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 investments held at FVTPL that are measured at fair value. These interim condensed financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Fund's functional currency. All financial information presented has been rounded to the nearest SR.

#### 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 MENA DIVIDEND GROWTH FUND

### Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

#### 4. 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 SR    | Market value SR | Unrealised gain/(loss) SR |
| <i>Investments (by country)</i> |                   |            |                 |                           |
| Saudi Arabia                    | 76.50             | 23,855,656 | 25,417,993      | 1,562,337                 |
| UAE                             | 9.84              | 3,778,170  | 3,270,956       | (507,214)                 |
| Kuwait                          | 6.16              | 2,221,516  | 2,046,890       | (174,626)                 |
| Egypt                           | 4.52              | 1,554,603  | 1,502,456       | (52,147)                  |
| Oman                            | 2.98              | 1,188,190  | 986,745         | (201,445)                 |
| Total                           | 100.00            | 32,598,135 | 33,225,040      | 626,905                   |
| 31 December 2019 (Audited)      |                   |            |                 |                           |
|                                 | % of Market Value | Cost SR    | Market Value SR | Unrealised gain/(loss) SR |
| <i>Investments (by country)</i> |                   |            |                 |                           |
| Saudi Arabia                    | 84.14             | 35,128,022 | 38,234,514      | 3,106,492                 |
| Egypt                           | 6.17              | 4,473,451  | 2,800,203       | (1,673,248)               |
| UAE                             | 7.25              | 3,280,069  | 3,296,442       | 16,373                    |
| Oman                            | 2.44              | 1,188,165  | 1,107,803       | (80,362)                  |
| Total                           | 100.00            | 44,069,707 | 45,438,962      | 1,369,255                 |

#### 5. 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 the Fund Manager a management fee calculated at an annual rate of 1.75% per annum calculated on the total assets value at each valuation date. The fee is intended to compensate the Fund Manager for administration of the Fund.

The management fees amounting to SR 360,039 (30 June 2019: SR 543,867) reflected in the interim condensed statement of comprehensive income represent the fees charged by the Fund Manager during the period as described above.

As at 30 June 2020, management fees amounting to SR 105,126 (31 December 2019: SR 243,945) are payable to the Fund Manager.

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 50,000 units held by the Fund Manager (31 December 2019: 50,000 units).

At the end of the period, the cash balance with the Bank is SR 6,750 (31 December 2019: SR 70,032).

##### 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 SR 5,000 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 SR Nil (30 June 2019: SR Nil) was charged during the year. As at 30 June 2020, Board of Directors' fees amounting to SR Nil (31 December 2019: SR Nil) is payable to the Fund's Board of Directors.

# AL RAJHI MENA DIVIDEND GROWTH FUND

## Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

### 6. ACCRUED EXPENSES AND OTHER PAYABLES

|                              | 30 June<br>2020<br>(Unaudited)<br>SR | 31 December<br>2019<br>(Audited)<br>SR |
|------------------------------|--------------------------------------|--|
| Accrued benchmark fees       | 41,661                               | 27,825                                 |
| Accrued purification charges | 24,251                               | 34,142                                 |
| Accrued professional fees    | 18,275                               | 36,750                                 |
| Other accrued expenses       | 18,891                               | 16,918                                 |
|                              | <u>103,078</u>                       | <u>115,635</u>                         |

### 7. PURIFICATION CHARGES

The purification charges amounting to SR 32,540 (30 June 2019: SR 57,244), represent charges incurred in respect of purification of the income generated from the investee companies in order to achieve a Sharia compliant return. These charges are calculated based on the Fund's Sharia Board approved formula and paid to charities recommended by the Fund's Sharia Board through the Fund Manager.

### 8. OTHER EXPENSES

|                   | 2020<br>(Unaudited)<br>SR | 2019<br>(Unaudited)<br>SR |
|-------------------|---------------------------|---------------------------|
| Professional fees | (18,275)                  | (18,223)                  |
| Benchmark fees    | (13,836)                  | (13,821)                  |
| Others            | (18,993)                  | (18,877)                  |
|                   | <u>(51,104)</u>           | <u>(50,921)</u>           |

### 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has only investments at FVTPL which is measured at fair values and are classified within level 1 of the fair value hierarchy. 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.

### 10. 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<br/>12 months<br/>SR</i> | <i>After<br/>12 months<br/>SR</i> | <i>Total<br/>SR</i> |
|---------------------------------------|------------------------------------|-----------------------------------|---------------------|
| <b>ASSETS</b>                         |                                    |                                   |                     |
| Bank balance                          | 1,989,803                          | -                                 | 1,989,803           |
| Financial assets at FVTPL             | 33,225,040                         | -                                 | 33,225,040          |
| Dividend receivable                   | 741,037                            | -                                 | 741,037             |
| <b>TOTAL ASSETS</b>                   | <u>35,955,880</u>                  | <u>-</u>                          | <u>35,955,880</u>   |
| <b>LIABILITIES</b>                    |                                    |                                   |                     |
| Management fee payable                | 105,126                            | -                                 | 105,126             |
| Redemption payable                    | 100,644                            | -                                 | 100,644             |
| Accrued expenses and other payables   | 103,078                            | -                                 | 103,078             |
| <b>TOTAL LIABILITIES</b>              | <u>308,848</u>                     | <u>-</u>                          | <u>308,848</u>      |

## AL RAJHI MENA DIVIDEND GROWTH FUND

### Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

#### 10. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

| <i>As at 31 December 2019 (Audited)</i> | <i>Within<br/>12 months<br/>SR</i> | <i>After<br/>12 months<br/>SR</i> | <i>Total<br/>SR</i> |
|---|------------------------------------|-----------------------------------|---------------------|
| <b>ASSETS</b>                           |                                    |                                   |                     |
| Bank balance                            | 402,480                            | -                                 | 402,480             |
| Financial assets at FVTPL               | 45,438,962                         | -                                 | 45,438,962          |
| Dividend receivable                     | 637,751                            | -                                 | 637,751             |
| Other receivables                       | 5,259,430                          | -                                 | 5,259,430           |
| <b>TOTAL ASSETS</b>                     | <b>51,738,623</b>                  | <b>-</b>                          | <b>51,738,623</b>   |
| <b>LIABILITIES</b>                      |                                    |                                   |                     |
| Management fee payable                  | 243,945                            | -                                 | 243,945             |
| Redemption payable                      | 200,000                            | -                                 | 200,000             |
| Accrued expenses and other payables     | 115,635                            | -                                 | 115,635             |
| <b>TOTAL LIABILITIES</b>                | <b>559,580</b>                     | <b>-</b>                          | <b>559,580</b>      |

#### 11. LAST VALUATION DAY

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

#### 12. 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.

#### 13. 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).