

**Al Rajhi Saudi Equity Income 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



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Independent auditor's review report on the interim condensed financial statements To the Unitholders of Al Rajhi Saudi Equity Income Fund

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Al Rajhi Saudi Equity Income 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)



AL RAJHI SAUDI EQUITY INCOME FUND

Interim condensed statement of financial position

As at 30 June 2020

	<i>Note</i>	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
ASSETS			
Bank balance		10,106,965	451,298
Financial assets at fair value through profit or loss (FVTPL)	4	115,050,745	137,051,425
Dividends receivable		64,704	59,710
TOTAL ASSETS		125,222,414	137,562,433
LIABILITIES			
Management fee payable	5	341,267	570,446
Accrued expenses and other payables	6	166,601	159,002
TOTAL LIABILITIES		507,868	729,448
EQUITY			
Net assets attributable to unitholders of redeemable units		124,714,546	136,832,985
TOTAL LIABILITIES AND EQUITY		125,222,414	137,562,433
Redeemable units in issue		9,753,458	9,695,941
Net asset value attributable to each per unit		12.79	14.11

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

AL RAJHI SAUDI EQUITY INCOME FUND

Unaudited interim condensed statement of comprehensive income

For the six-month period ended 30 June 2020

	<i>Note</i>	2020 SR	2019 SR
INCOME			
Net unrealized (loss) gain on financial assets at FVTPL		(6,279,188)	2,824,133
Net realized (loss) gain on financial assets at FVTPL		(6,054,721)	10,535,077
Dividend income		2,255,344	3,342,529
TOTAL (LOSS) INCOME		(10,078,565)	16,701,739
EXPENSES			
Management fees	5	(1,059,060)	(1,323,071)
Purification charges	7	(26,146)	(41,042)
Other expenses	8	(118,149)	(141,039)
TOTAL EXPENSES		(1,203,355)	(1,505,152)
NET (LOSS) INCOME FOR THE PERIOD		(11,281,920)	15,196,587
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(11,281,920)	15,196,587

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

AL RAJHI SAUDI EQUITY INCOME FUND

Unaudited interim condensed statement of changes in equity

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
EQUITY AT THE BEGINNING OF THE PERIOD	136,832,985	145,992,649
Net (loss) income for the period	(11,281,920)	15,196,587
Other comprehensive income for the period	-	-
Total comprehensive (loss) income for the period	(11,281,920)	15,196,587
Issue of units during the period	20,116,662	65,998,732
Redemption of units during the period	(18,772,798)	(82,419,904)
Payment of dividends to unitholders	(2,180,383)	(2,834,835)
EQUITY AT THE END OF THE PERIOD	124,714,546	141,933,229
	<u>Units</u>	<u>Units</u>
REDEEMABLE UNIT TRANSACTIONS		
Transactions in redeemable units during the period are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	9,695,941	10,876,406
Issue of units during the period	1,474,213	4,414,754
Redemption of units during the period	(1,416,696)	(5,577,900)
Net increase (decrease) in units	57,517	(1,163,146)
UNITS AT THE END OF THE PERIOD	9,753,458	9,713,260

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

AL RAJHI SAUDI EQUITY INCOME FUND

Unaudited interim condensed statement of cash flows

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
Operating activities		
Net (loss) income for the period	(11,281,920)	15,196,587
<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	6,279,188	(2,824,133)
<i>Working capital adjustments:</i>		
Decrease in financial assets at FVTPL	15,721,492	17,564,292
Increase in dividends receivable	(4,994)	(21,355)
Decrease in management fee payable	(229,179)	(10,951)
Increase (decrease) in accrued expenses and other payables	7,599	(29,950)
Net cash flows from operating activities	<u>10,492,186</u>	<u>29,874,490</u>
Financing activities		
Proceeds from issuance of units	20,116,662	65,998,732
Payment on redemption of units	(18,772,798)	(82,419,904)
Payment of dividends to unitholders	(2,180,383)	(2,834,835)
Net cash flows used in financing activities	<u>(836,519)</u>	<u>(19,256,007)</u>
Net increase in bank balance	9,655,667	10,618,483
Bank balance at the beginning of the period	451,298	2,351,313
Bank balance at the end of the period	<u><u>10,106,965</u></u>	<u><u>12,969,796</u></u>
<u>Operational cash flows from dividends:</u>		
Dividends received	<u><u>2,250,350</u></u>	<u><u>3,321,174</u></u>

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

AL RAJHI SAUDI EQUITY INCOME FUND

Notes to unaudited interim condensed financial statements

At 30 June 2020

1. INCORPORATION AND ACTIVITIES

Al Rajhi Saudi Equity Income Fund (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 aims to achieve capital gains over the long term by investing in Shariah compliant stocks listed on Tadawul in accordance with the guidelines set out by the Fund’s Shariah Board. The Fund also aims to distribute income to the Unitholders. The Fund was established on 4 May 2015.

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 45% of the Fund’s units are redeemed throughout the period.

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 SAUDI EQUITY INCOME 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 sectors)</i>				
Materials	32.69	35,915,021	37,612,297	1,697,276
Financials	16.93	20,994,555	19,479,739	(1,514,816)
Telecommunication services	15.29	16,876,579	17,588,742	712,163
Consumer discretionary	9.34	10,693,863	10,749,231	55,368
Health care	8.09	6,852,481	9,309,111	2,456,630
Consumer staples	5.61	4,919,447	6,452,790	1,533,343
Energy	5.40	6,284,245	6,216,503	(67,742)
Industrials	5.38	6,460,954	6,194,077	(266,877)
Real estate	1.27	1,410,144	1,448,255	38,111
Total	100.00	110,407,289	115,050,745	4,643,456
	31 December 2019 (Audited)			
	% of Market Value	Cost SR	Market value SR	Unrealised gain/(loss) SR
<i>Investments (by sectors)</i>				
Financials	25.18	30,812,442	34,508,665	3,696,223
Materials	24.71	31,503,419	33,867,086	2,363,667
Consumer discretionary	16.28	19,746,530	22,307,122	2,560,592
Consumer staples	9.11	11,751,623	12,480,047	728,424
Telecommunication services	8.49	10,613,490	11,632,788	1,019,298
Energy	7.56	10,282,949	10,364,457	81,508
Industrials	6.50	8,677,221	8,905,964	228,743
Health care	1.69	2,059,466	2,311,056	251,590
Real estate	0.48	681,641	674,240	(7,401)
Total	100.00	126,128,781	137,051,425	10,922,644

The above equity investments are listed on the Saudi Stock Exchange ("Tadawul"). The Fund Manager seeks to limit risk for the Fund by monitoring exposures in each investment sector and individual securities.

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 net 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 1,059,060 (30 June 2019: SR 1,323,071) 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 341,267 (31 December 2019: SR 570,446) are payable to the Fund Manager.

AL RAJHI SAUDI EQUITY INCOME FUND

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

5. TRANSACTIONS WITH RELATED PARTIES (continued)

A. Transactions and balances with Fund Manager (continued)

The units in issue at 30 June 2020 include 10,846 units held by the employees of the Fund Manager (31 December 2019: 10,846 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 SR 3,652,477 (31 December 2019: SR 54,053).

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 2,409 (30 June 2019: SR 2,526) was charged during the period. As at 30 June 2020, Board of Directors' fees amounting to SR 7,503 (31 December 2019: SR 5,095) is payable to the Fund's Board of Directors.

6. ACCRUED EXPENSES AND OTHER PAYABLES

	<i>30 June 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Accrued benchmark fees	41,661	27,825
Accrued purification fees	34,225	31,031
Accrued professional fees	15,664	31,500
Other accrued expenses	75,051	68,646
	<u>166,601</u>	<u>159,002</u>

7. PURIFICATION CHARGES

The purification charges amounting to SR 26,146 (30 June 2019: SR 41,042), 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

	<i>2020 (Unaudited) SR</i>	<i>2019 (Unaudited) SR</i>
Professional fees	15,664	15,621
Benchmark fees	13,836	13,798
Custody fees	11,944	15,412
Others	76,705	96,208
	<u>118,149</u>	<u>141,039</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. 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 SAUDI EQUITY INCOME FUND

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

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 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	10,106,965	-	10,106,965
Financial assets at FVTPL	115,050,745	-	115,050,745
Dividends receivable	64,704	-	64,704
TOTAL ASSETS	125,222,414	-	125,222,414
LIABILITIES			
Management fee payable	341,267	-	341,267
Accrued expenses and other payables	166,601	-	166,601
TOTAL LIABILITIES	507,868	-	507,868
<i>As at 31 December 2019 (Audited)</i>			
	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	451,298	-	451,298
Financial assets at FVTPL	137,051,425	-	137,051,425
Dividends receivable	59,710	-	59,710
TOTAL ASSETS	137,562,433	-	137,562,433
LIABILITIES			
Management fee payable	570,446	-	570,446
Accrued expenses and other payables	159,002	-	159,002
TOTAL LIABILITIES	729,448	-	729,448

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.

AL RAJHI SAUDI EQUITY INCOME FUND

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

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).