

**Al Rajhi MSCI Saudi Multi Factor Index 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 MSCI Saudi Multi Factor Index Fund**

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Al Rajhi MSCI Saudi Multi Factor Index 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 MSCI SAUDI MULTI FACTOR INDEX 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		129,666	444,769
Financial assets at fair value through profit or loss (FVTPL)	4	42,589,109	50,397,093
Dividends receivable		46,788	-
TOTAL ASSETS		42,765,563	50,841,862
LIABILITIES			
Management fee payable	5	139,775	120,049
Redemption payable		36,122	331,821
Accrued expenses and other payables		6,990	6,003
TOTAL LIABILITIES		182,887	457,873
EQUITY			
Net assets attributable to unitholders of redeemable units		42,582,676	50,383,989
TOTAL LIABILITIES AND EQUITY		42,765,563	50,841,862
Redeemable units in issue		4,409,110	4,850,677
Net asset value attributable to each per unit		9.66	10.39

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

AL RAJHI MSCI SAUDI MULTI FACTOR INDEX FUND

Unaudited interim condensed statement of comprehensive income

		<i>For the six-month period ended 30 June 2020 SR</i>	<i>For the period from 20 January 2019 to 30 June 2019 SR</i>
	<i>Note</i>		
INCOME			
Net unrealized (loss) gain on financial assets at FVTPL		(2,215,870)	1,040,182
Net realized (loss) gain on financial assets at FVTPL		(1,785,142)	108,302
Dividend income		793,286	1,003,405
TOTAL (LOSS) INCOME		(3,207,726)	2,151,889
EXPENSES			
Management fees	5	(218,875)	(190,877)
Purification charges	6	(21,924)	-
Other expenses		(10,943)	(9,544)
TOTAL EXPENSES		(251,742)	(200,421)
NET (LOSS) INCOME FOR THE PERIOD		(3,459,468)	1,951,468
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(3,459,468)	1,951,468

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

AL RAJHI MSCI SAUDI MULTI FACTOR INDEX FUND

Unaudited interim condensed statement of changes in equity

	<i>For the six-month period ended 30 June 2020 SR</i>	<i>For the period from 20 January 2019 to 30 June 2019 SR</i>
EQUITY AT THE BEGINNING OF THE PERIOD	50,383,989	-
Net (loss) income for the period	(3,459,468)	1,951,468
Other comprehensive income for the period	-	-
Total comprehensive (loss) income for the period	(3,459,468)	1,951,468
Issue of units during the period	3,016,845	75,104,266
Redemption of units during the period	(7,358,690)	(14,129,912)
EQUITY AT THE END OF THE PERIOD	42,582,676	62,925,822

	<u><i>Units</i></u>	<u><i>Units</i></u>
REDEEMABLE UNIT TRANSACTIONS		
Transactions in redeemable units during the period are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	4,850,677	-
Issue of units during the period	334,070	7,301,272
Redemption of units during the period	(775,637)	(1,366,197)
Net (decrease) increase in units	(441,567)	5,935,075
UNITS AT THE END OF THE PERIOD	4,409,110	5,935,075

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

AL RAJHI MSCI SAUDI MULTI FACTOR INDEX FUND

Unaudited interim condensed statement of cash flows

	<i>For the six-month period ended 30 June 2020 SR</i>	<i>For the period from 20 January 2019 to 30 June 2019 SR</i>
Operating activities		
Net (loss) income for the period	(3,459,468)	1,951,468
<i>Adjustments to reconcile net (loss) income to net cash flows from (used in) operating activities:</i>		
Movement in unrealised loss (gain) on financial assets at FVTPL	2,215,870	(1,040,182)
<i>Working capital adjustments:</i>		
Decrease (increase) in financial assets at FVTPL	5,592,114	(61,881,352)
Increase in dividend receivable	(46,788)	(42,584)
Increase in management fee payable	19,726	49,906
Decrease in redemption payable	(295,699)	-
Increase in accrued expenses	987	2,496
Net cash flows from (used in) operating activities	4,026,742	(60,960,248)
Financing activities		
Proceeds from issuance of units	3,016,845	75,104,266
Payment on redemption of units	(7,358,690)	(14,129,912)
Net cash flows (used in) from financing activities	(4,341,845)	60,974,354
Net (decrease) increase in bank balance	(315,103)	14,106
Bank balance at the beginning of the period	444,769	-
Bank balance at the end of the period	129,666	14,106
<u>Operational cash flows from dividends:</u>		
Dividends received	746,498	960,821

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

AL RAJHI MSCI SAUDI MULTI FACTOR INDEX FUND

Notes to unaudited interim condensed financial statements

At 30 June 2020

1. INCORPORATION AND ACTIVITIES

Al Rajhi MSCI Saudi Multi Factor Index 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 a medium to long term capital growth by tracking the performance of MSCI's Saudi Multi Factor Index which complies with the Al Rajhi Shariah Boards rules. The Fund seeks to achieve performance equal to the benchmarks performance by using a passive management approach where the fund invests in the benchmarks constituent companies according to their weights.

The approval from the Capital Market Authority (the “CMA”) for the establishment of the Fund was obtained via letter no. 18788553 dated 26 Rabi Awal 1440H (corresponding to 4 December 2018). The Fund commenced operations on 20 January 2019, accordingly, these are the first financial statements of the Fund for the period from 20 January 2019 to 31 December 2019.

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

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% to 50% 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 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 MSCI SAUDI MULTI FACTOR INDEX 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 is summarised below:

30 June 2020 (Unaudited)				
	% of Market Value	Cost SR	Market value SR	Unrealised gain/(loss) SR
<i>Equity investments (by sector)</i>				
Materials	30.14	13,849,102	12,835,558	(1,013,544)
Financials	21.18	10,430,492	9,019,411	(1,411,081)
Telecommunication services	15.33	6,034,068	6,529,797	495,729
Consumer staples	14.18	5,322,500	6,038,313	715,813
Energy	7.80	3,073,405	3,320,630	247,225
Consumer discretionary	3.47	1,526,826	1,478,460	(48,366)
Utilities	2.37	1,139,300	1,007,798	(131,502)
Real estate	2.03	833,633	866,410	32,777
Industrials	2.01	890,580	857,876	(32,704)
Healthcare	1.49	622,798	634,856	12,058
Total	100.00	43,722,704	42,589,109	(1,133,595)
31 December 2019 (Audited)				
	% of Market Value	Cost SR	Market Value SR	Unrealised gain/(loss) SR
<i>Equity investments (by sector)</i>				
Materials	36.88	18,821,233	18,585,409	(235,824)
Financials	23.90	12,080,737	12,044,744	(35,993)
Telecommunication services	13.92	6,669,363	7,013,889	344,526
Consumer staples	3.43	1,437,959	1,730,085	292,126
Energy	1.83	723,485	918,875	195,390
Consumer discretionary	5.90	2,719,587	2,971,951	252,364
Utilities	6.18	3,005,449	3,116,775	111,326
Real estate	3.67	1,847,679	1,850,435	2,756
Industrial investment	3.01	1,370,496	1,519,333	148,837
Healthcare	1.28	638,830	645,597	6,767
Total	100.00	49,314,818	50,397,093	1,082,275

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% per annum calculated on the 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 218,875 (30 June 2019: SR 190,877) 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 139,775 (31 December 2019: SR 120,049) are payable to the Fund Manager.

The units in issue at 30 June 2020 include 78,319 units held by the employees of the Fund Manager (31 December 2019: 56,755 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 10,038 (31 December 2019: SR 2,001).

AL RAJHI MSCI SAUDI MULTI FACTOR INDEX FUND

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

5. TRANSACTIONS WITH RELATED PARTIES (continued)

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 period. 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.

6. PURIFICATION CHARGES

The purification charges amounting to SR 21,924 (30 June 2019: SR Nil), 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.

7. 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.

8. 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	129,666	-	129,666
Financial assets at FVTPL	42,589,109	-	42,589,109
Dividend receivable	46,788	-	46,788
TOTAL ASSETS	42,765,563	-	42,765,563
LIABILITIES			
Management fee payable	139,775	-	139,775
Redemption payable	36,122	-	36,122
Accrued expenses and other payables	6,990	-	6,990
TOTAL LIABILITIES	182,887	-	182,887

AL RAJHI MSCI SAUDI MULTI FACTOR INDEX FUND

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

8. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

<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	444,769	-	444,769
Financial assets at FVTPL	50,397,093	-	50,397,093
TOTAL ASSETS	50,841,862	-	50,841,862
LIABILITIES			
Management fee payable	120,049	-	120,049
Redemption payable	331,821	-	331,821
Accrued expenses and other payables	6,003	-	6,003
TOTAL LIABILITIES	457,873	-	457,873

9. LAST VALUATION DAY

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

10. 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.

11. 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).