Al Rajhi Multi Asset Conservative Fund
(Managed by Al Rajhi Capital)

AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI MULTI ASSET CONSERVATIVE FUND
(MANAGED BY AL RAJHI CAPITAL)

Opinion

We have audited the financial statements of Al Rajhi Multi Asset Conservative Fund (the "Fund") managed by Al Rajhi Capital (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, changes in equity attributable to the unitholders and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Building a better
working world

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI MULTI ASSET CONSERVATIVE FUND
(MANAGED BY AL RAJHI CAPITAL) (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI MULTI ASSET CONSERVATIVE FUND
(MANAGED BY AL RAJHI CAPITAL) (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
License No. 366

Riyadh: 22 Sha'aban 1442H
(4 April 2021)

ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

Statement of financial position

As at 31 December 2020

	Note	***31 December 2020 SR***	*31 December 2019 SR*
ASSETS			
Bank balance		**42,867**	189,396
Financial assets at fair value through profit or loss (FVTPL)	5	**44,840,259**	40,281,914
Dividend receivable		**15,355**	-
TOTAL ASSETS		**44,898,481**	40,471,310
LIABILITY			
Accrued expenses	7	**30,502**	47,238
TOTAL LIABILITY		**30,502**	47,238
EQUITY			
Net assets attributable to unitholders of redeemable units		**44,867,979**	40,424,072
TOTAL LIABILITY AND EQUITY		**44,898,481**	40,471,310
Redeemable units in issue		**95,176**	89,038
Net asset value attributable to each per unit		**471.42**	454.01

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

Statement of comprehensive income

For the year ended 31 December 2020

	Note	*2020* *SR*	*2019* *SR*
INCOME			
Net unrealized gain on financial assets at FVTPL		**1,064,667**	1,483,803
Net realized gain on financial assets at FVTPL		**224,516**	419,775
Dividend income		**154,645**	137,812
TOTAL INCOME		**1,443,828**	2,041,390
EXPENSE			
Other expenses	8	**(57,626)**	(52,779)
NET INCOME FOR THE YEAR		**1,386,202**	1,988,611
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,386,202**	1,988,611

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

Statement of changes in equity

For the year ended 31 December 2020

	2020	*2019*
	SR	*SR*
EQUITY AT THE BEGINNING OF THE YEAR	**40,424,072**	36,314,037
Net income for the year	**1,386,202**	1,988,611
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**1,386,202**	1,988,611
Issue of units during the year	**8,808,251**	7,678,534
Redemption of units during the year	**(5,750,546)**	(5,557,110)
Net change from unit transactions	**3,057,705**	2,121,424
EQUITY AT THE END OF THE YEAR	**44,867,979**	40,424,072

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units during the year are summarised as follows:

	Units	*Units*
UNITS AT THE BEGINNING OF THE YEAR	**89,038**	84,339
Issue of units during the year	**19,125**	17,287
Redemption of units during the year	**(12,987)**	(12,588)
Net increase in units	**6,138**	4,699
UNITS AT THE END OF THE YEAR	**95,176**	89,038

Statement of cash flows
For the year ended 31 December 2020

	2020	*2019*
	SR	*SR*
Operating activities		
Net income for the year	**1,386,202**	1,988,611
Adjustments to reconcile net income to net cash flows used in operating activities:		
Movement in unrealised gain on financial assets at FVTPL	**(1,064,667)**	(1,483,803)
Working capital adjustments:		
Increase in financial assets at FVTPL	**(3,493,678)**	(2,517,625)
Increase in dividend receivable	**(15,355)**	-
(Decrease) increase in accrued expenses	**(16,736)**	7,550
Net cash flows used in operating activities	**(3,204,234)**	(2,005,267)
Financing activities		
Proceeds from issuance of units	**8,808,251**	7,678,534
Payment on redemption of units	**(5,750,546)**	(5,557,110)
Net cash flows from financing activities	**3,057,705**	2,121,424
Net (decrease) increase in bank balance	**(146,529)**	116,157
Bank balance at the beginning of the year	**189,396**	73,239
Bank balance at the end of the year	**42,867**	189,396
Operational cash flows from dividends:		
Dividends received	**139,290**	137,812

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

1. INCORPORATION AND ACTIVITIES

Al Rajhi Multi Asset Conservative 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 is designed for investors seeking to preserve and increase their capital in accordance with Islamic principles through investment in other investment funds. The Fund's net income is reinvested in the Fund, which affects the value and price per unit. The Fund was established on 24 Rabi Al Thani 1432H (corresponding to 29 March 2011).

The Fund has appointed AlBilad Investment Company (the “Custodian”) to act as its custodian and registrar. The fees of the custodian and registrar’s services 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 30% 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 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 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in the KSA”).

3.2 Basis of preparation

The financial statements are prepared under the historical cost convention, using the accrual basis of accounting except for investments held at FVTPL that are measured at fair value. These 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.

3.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Fund has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Fund.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments do not have any impact on the financial statements of the Fund.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Fund.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Fund.

The following are the significant accounting policies applied by the Fund in preparing its financial statements.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as "cash and cash equivalents".

For the purpose of statement of cash flows, cash and cash equivalent include bank balances.

(i) Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or

b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or

c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

➢ The entity's business model for managing the financial assets
➢ The contractual cash flow characteristics of the financial asset

- Financial assets measured at amortised cost
  A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets measured at fair value through profit or loss (FVTPL)
  A financial asset is measured at fair value through profit or loss if:

  i. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI); and

  ii. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or

  iii. At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

- The Fund investments includes investment in mutual fund instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

Financial liabilities

- Financial liabilities measured at fair value through profit or loss (FVTPL)
  A financial liability is measured at FVTPL if it meets the definition of held for trading. The Fund does not hold any financial liabilities measured at FVTPL.

- Financial liabilities measured at amortised cost
  This category includes all financial liabilities, other than those measured at fair value through profit or loss.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value including any directly attributable incremental costs of acquisition or issue.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Financial instruments (continued)

(iv) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at FVTPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the statement of comprehensive income. Special commission income and dividends earned or paid on these instruments are recorded separately in special commission income or expense and dividend income or expense in the statement of comprehensive income.

(v) Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

(vii) Impairment of financial assets

The Fund assesses on a forward-looking basis the Expected Credit Losses("ECL") associated with its financial assets, carried at amortised cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 9.

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Provisions

Provisions are recognised when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Accrued expenses
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortised cost using the effective interest rate method.

Redeemable units
Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unitholder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the Unitholder's rights to a pro rata share of the Fund's net assets
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in net assets attributable to the Unitholders. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

Net asset value per unit
The net asset value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units outstanding at year end.

Management fees
Fund management fees are recognised on an accrual basis and charged to the statement of comprehensive income. Fund management fees are charged at agreed rates with the Fund Manager and as stated in the Terms and Conditions of the Fund.

Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss ("FVTPL")
Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL and exclude special commission and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments, which were realised in the reporting year. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Dividend income
Dividend income is recognised in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognised in the statement of comprehensive income in a separate line item.

Foreign currencies
Transactions in foreign currencies are translated into SR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income as net foreign exchange losses

Expenses
Expenses are measured and recognized as expenses on an accrual basis in the year in which they are incurred.

Zakat and income tax
Zakat at the Fund level is the obligation of the Unitholders and is not provided for in these financial statements.

3.4 Standards issued but not yet effective

There are several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. In the opinion of the Board, these will have no impact on the financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable, when they become effective.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements requires the use of judgement, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Going concern
The Board of Directors, in conjunction with the Fund Manager made an assessment of the Fund's ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, they are not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value measurement
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (mid price), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 9.

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

The composition of the financial assets at fair value through profit or loss in investment funds on the last valuation day of the year end is summarised below:

	31 December 2020			
	% of Market Value	***Cost SR***	***Market value SR***	***Unrealised gain SR***
Investments in Funds				
Al Rajhi Commodities Mudaraba Fund - Saudi Riyal	**48.10**	**20,579,196**	**21,566,025**	**986,829**
Al Rajhi Commodities Mudaraba Fund - USD	**27.59**	**11,587,288**	**12,369,452**	**782,164**
Al Rajhi Sukuk Fund	**7.15**	**2,842,523**	**3,204,627**	**362,104**
Al Rajhi Global Equity Fund	**5.51**	**1,725,269**	**2,469,771**	**744,502**
Al Rajhi Saudi Equity Income Fund	**3.87**	**1,463,029**	**1,736,451**	**273,422**
Al Rajhi MSCI Saudi Multi Factor Index Fund	**2.00**	**776,632**	**898,843**	**122,211**
Al Rajhi Jadwa REIT Fund	**1.53**	**421,690**	**684,880**	**263,190**
Derayah REIT Fund	**1.39**	**539,973**	**625,408**	**85,435**
Al Rajhi REIT Fund	**1.39**	**584,685**	**621,188**	**36,503**
Al Rajhi MENA Dividend Growth Fund	**0.87**	**378,066**	**395,168**	**17,102**
SEDCO Capital REIT Fund	**0.60**	**253,709**	**268,446**	**14,737**
Total	**100.00**	**41,152,060**	**44,840,259**	**3,688,199**

	31 December 2019			
	% of Market Value	*Cost SR*	*Market value SR*	*Unrealised gain/(loss) SR*
Investments in Funds				
Al Rajhi Commodities Mudaraba Fund - Saudi Riyal	46.01	17,709,722	18,534,774	825,052
Al Rajhi Commodities Mudaraba Fund - USD	29.38	11,109,578	11,836,632	727,054
Al Rajhi Sukuk Fund	7.48	2,767,617	3,010,707	243,090
Al Rajhi Global Equity Fund	5.86	1,929,409	2,360,049	430,640
Al Rajhi MSCI Saudi Multi Factor Index Fund	3.09	1,232,326	1,245,103	12,777
Al Rajhi Saudi Equity Income Fund	2.94	1,052,660	1,185,678	133,018
Al Rajhi Jadwa REIT Fund	1.64	507,973	659,904	151,931
Derayah REIT Fund	1.17	413,002	470,400	57,398
Al Rajhi REIT Fund	1.08	397,551	432,517	34,966
Al Rajhi MENA Dividend Growth Fund	0.88	378,048	355,914	(22,134)
SEDCO Capital REIT Fund	0.47	160,496	190,236	29,740
Total	100.00	37,658,382	40,281,914	2,623,532

Investments in 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. TRANSACTIONS WITH RELATED PARTIES

A. Transactions and balances with Fund Manager

In the ordinary course of its activities, the Fund transacts business with Fund Manager and the Bank.

The Fund Manager charges the Fund with charges such as, professional fees, Board of Directors' remuneration and any other expenses incurred on behalf of the Fund. Based on the agreement between the Fund and the Fund Manager, the Fund is not required to pay any fees for the management of the Fund. However, the Fund Manager charges a subscription fee of up to 2% maximum on all new subscriptions that is paid directly to the Fund Manager by the subscribers.

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

At the end of the year, the cash balance with the Bank is SR 18,534 (31 December 2019: SR 839)

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

7. ACCRUED EXPENSES

	31 December 2020 SR	*31 December 2019 SR*
Accrued audit fees	**20,700**	31,500
Accrued CMA fees	**7,500**	7,500
Other accrued expense	**2,302**	8,238
	30,502	47,238

8. OTHER EXPENSES

	31 December 2020 SR	*31 December 2019 SR*
Audit fees	**34,500**	31,500
Custody fees	**8,792**	7,873
CMA fees	**7,500**	7,500
Other expense	**6,834**	5,906
	57,626	52,779

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has investment in REIT funds measured at fair values and are classified within level 1 of the fair value hierarchy. In addition, the Fund holds investment in other than REIT Funds measured at fair values and are allocated within level 2 of the fair value hierarchy. Management believes that the fair value of all other financial assets and liabilities are classified as amortized cost and 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 year or prior year.

10. MATURITY ANALYSIS OF ASSETS AND LIABILITY

The table below shows an analysis of assets and liability according to when they are expected to be recovered or settled respectively:

	Within 12 months SR	*After 12 months SR*	*Total SR*
As at 31 December 2020			
ASSETS			
Bank balance	**42,867**	-	**42,867**
Financial assets at FVTPL	**44,840,259**	-	**44,840,259**
Dividend receivable	**15,355**	-	**15,355**
TOTAL ASSETS	**44,898,481**	-	**44,898,481**
LIABILITY			
Accrued expenses	**30,502**	-	**30,502**
TOTAL LIABILITY	**30,502**	-	**30,502**

	Within 12 months SR	*After 12 months SR*	*Total SR*
As at 31 December 2019			
ASSETS			
Bank balance	189,396	-	189,396
Financial assets at FVTPL	40,281,914	-	40,281,914
TOTAL ASSETS	40,471,310	-	40,471,310
LIABILITY			
Accrued expenses	47,238	-	47,238
TOTAL LIABILITY	47,238	-	47,238

11. FINANCIAL RISK MANAGEMENT

Introduction

The Fund's objective in managing risk is the creation and protection of unitholder's value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing risk identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risk (which includes foreign currency risk and special commission rate risk), credit risk and liquidity risk arising from the financial instruments it holds.

Risk management

The Fund Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Fund Manager and is ultimately responsible for the overall risk management of the Fund.

Risk measurement and reporting system

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Fund is willing to accept and the market environment of the Fund. In addition, the Fund monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

Risk mitigation

The Fund's terms and conditions has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

11. FINANCIAL RISK MANAGEMENT (continued)

Concentration risk

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Fund's terms and conditions include specific guidelines to focus on maintaining a diversified portfolio. The Fund Manager manages excessive risk concentrations when they arise. Note 5 to the financial statements shows the Fund's concentration of investment portfolio.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The following table shows the Fund’s maximum exposure to credit risk for components of the statement of financial position.

	31 December 2020 SR	*31 December 2019 SR*
Bank balance	**42,867**	189,396

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund’s terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions. The Fund’s investments are considered to be readily realizable. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values and all are to be settled within one year from the reporting date.

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, special commission rates and mutual fund prices will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

11. FINANCIAL RISK MANAGEMENT (continued)

Equity price risk
Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices. The Fund's investments are susceptible to market price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of sector concentration.

Sensitivity analysis
The Fund’s financial assets at FVTPL are subject to equity price risk. According to the Fund’s management, the effect on the statement of comprehensive income as a result of a change in fair value of equity instruments due to a reasonable possible change in equity indices, with all other variables held constant is as follows:

	Change in equity price 2020 %	***Effect on statement of comprehensive income 2020 SR***	*Change in equity price 2019 %*	*Effect on statement of comprehensive income 2019 SR*
Tadawul	10%	**4,484,026**	10%	4,028,191

Currency risk
Currency risk is the risk that the value of a financial instrument may fluctuate due to change in foreign exchange rates. The Fund views the SR as its functional currency. The Fund’s financial assets and liabilities are denominated in SR and the Fund is not exposed to significant currency risk.

Special commission rate risk
The Fund has no special commission rate bearing financial assets or liabilities, therefore, the Fund Manager believes the Fund is not exposed to any direct special commission rate risk.

12. IMPACT OF COVID-19

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 financial statements for the year period ended 31 December 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 unit price declining trend. The impact of the pandemic on the Fund’s operations and financial results till the date of the 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. LAST VALUATION DAY

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

14. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund’s Board of Directors on 19 Sha’aban 1442H (corresponding to 1 April 2021).