

AL RAJHI SAUDI EQUITY INCOME FUND
An open-ended mutual fund
(Managed by Al Rajhi Capital Company)
Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2021
together with the
Independent Auditor's Review Report to the Unitholders

AL RAJHI SAUDI EQUITY INCOME FUND
An open-ended mutual fund
(Managed by Al Rajhi Capital Company)
Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2021

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Independent auditor's review report on the condensed interim financial statements

To the Unitholders of Al Rajhi Saudi Equity Income Fund

Introduction

We have reviewed the accompanying 30 June 2021 condensed interim financial statements of **Al Rajhi Saudi Equity Income Fund** (the "Fund"), managed by Al Rajhi Capital Company (the "Fund Manager"), which comprises:

- the condensed interim statement of financial position as at 30 June 2021;
- the condensed interim statement of comprehensive income for the six-month period ended 30 June 2021;
- the condensed interim statement of changes in net assets (equity) attributable to the Unitholders for the six-month period ended 30 June 2021;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2021; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, the Fund's Terms and Conditions and the Information Memorandum. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 30 June 2021 condensed interim financial statements of **Al Rajhi Saudi Equity Income Fund** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.



Independent auditor's review report on the condensed interim financial statements

To the Unitholders of Al Rajhi Saudi Equity Income Fund (continued)

Other matter

The condensed interim financial statements of **Al Rajhi Saudi Equity Income Fund** ("the Fund") for the six-month period ended 30 June 2020 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 23 August 2020 and the financial statements of the Fund for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 4 April 2021.

KPMG Professional Services

Khalil Ibrahim Al Sedais
License No. 371



Date: 9 Muharram 1443H
Corresponding to: 17 August 2021

AL RAJHI SAUDI EQUITY INCOME FUND
An open-ended mutual fund
(Managed by Al Rajhi Capital Company)
Condensed Interim Statement of Financial Position (Unaudited)
As at 30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
<u>ASSETS</u>			
Cash and cash equivalents	7	4,514,290	2,955,185
Investments at fair value through profit or loss (“FVTPL”)	8	226,896,606	118,715,393
Receivable from sold securities		4,395,400	4,168,411
Total Assets		235,806,296	125,838,989
<u>LIABILITIES</u>			
Management fee payable	9	382,450	222,354
Fund Board fee payable	9	3,585	7,430
Payable against investments		2,244,160	434,457
Payable to Unitholders on account of redemptions		-	53,058
Accrued expenses	10	163,008	146,377
Total Liabilities		2,793,203	863,676
Net assets (equity) attributable to the Unitholders		233,013,093	124,975,313
Units in issue (numbers)		11,780,128	7,936,626
Net assets (equity) attributable to each unit (SR)		19.78	15.75

The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

AL RAJHI SAUDI EQUITY INCOME FUND
An open-ended mutual fund
(Managed by Al Rajhi Capital Company)
Condensed Interim Statement of Comprehensive Income (Unaudited)
For the six-month period ended 30 June 2021

		For the six-month period ended	
		30 June	
<i>Notes</i>		<u>2021</u>	<u>2020</u>
		SR	SR
<u>INCOME</u>			
		22,873,182	(6,279,188)
		19,735,079	(6,054,721)
		4,008,553	2,255,344
		46,616,814	(10,078,565)
<u>EXPENSES</u>			
	9	(1,849,198)	(1,112,013)
	11	(53,732)	(26,146)
	12	(86,195)	(65,196)
		(1,989,125)	(1,203,355)
		44,627,689	(11,281,920)
		-	-
		44,627,689	(11,281,920)
		44,627,689	(11,281,920)

The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

AL RAJHI SAUDI EQUITY INCOME FUND
An open-ended mutual fund
(Managed by Al Rajhi Capital Company)
Condensed Interim Statement of Changes in Net Assets (Equity)
Attributable to the Unitholders (Unaudited)
For the six-month period ended 30 June 2021

	For the six-month period ended 30 June	
<i>Notes</i>	<u>2021</u> SR	<u>2020</u> SR
Net assets (equity) attributable to the Unitholders at beginning of the period	124,975,313	136,832,985
Net income / (loss) for the period	44,627,689	(11,281,920)
Other comprehensive income for the period	-	-
Total comprehensive income / (loss) for the period	44,627,689	(11,281,920)
Contributions and redemptions by the Unitholders		
Proceeds from issuance of units during the period	99,302,460	20,116,662
Payments on redemption of units during the period	(33,154,899)	(18,772,798)
Net contributions by the Unitholders	66,147,561	1,343,864
Distribution to Unitholders	(2,737,470)	(2,180,383)
Net assets (equity) attributable to the Unitholders at end of the period	233,013,093	124,714,546

	For the six-month period ended 30 June	
	<u>2021</u>	<u>2020</u>
	<u>Units</u>	<u>Units</u>
Unit transactions (numbers)		
Units in issuance at beginning of the period	7,936,626	9,695,941
Issuance of units during the period	5,646,060	1,474,213
Redemption of units during the period	(1,802,558)	(1,416,696)
Net increase in units	3,843,502	57,517
Units in issuance at end of the period	11,780,128	9,753,458

The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

AL RAJHI SAUDI EQUITY INCOME FUND
An open-ended mutual fund
(Managed by Al Rajhi Capital Company)
Condensed Interim Statement of Cash Flows (Unaudited)
For the six-month period ended 30 June 2021

	For the six-month period ended 30 June	
	<u>2021</u> SR	<u>2020</u> SR
Cash flows from operating activities		
Net income / (loss) for the period	44,627,689	(11,281,920)
<i>Adjustments for:</i>		
Net (gain) / loss on investments at FVTPL	(42,608,261)	12,333,909
Net changes in operating assets and liabilities		
(Increase) / decrease in investments at FVTPL	(65,572,952)	9,666,771
(Increase) in receivable from sold securities	(226,989)	-
(Increase) in dividend receivable	-	(4,994)
Increase / (decrease) in management fee payable	160,096	(229,179)
(Decrease) / increase in Fund board fee payable	(3,845)	2,408
(Decrease) in payable against investments	1,809,703	-
(Decrease) in payable to Unitholders on account of redemptions	(53,058)	-
Increase in accrued expenses	16,631	5,191
Net cash (used in) / generated from operating activities	(61,850,986)	10,492,186
Cash flows from financing activities		
Proceeds from issuance of units	99,302,460	20,116,662
Payments on redemption of units	(33,154,899)	(18,772,798)
Distribution to the Unitholders	17 (2,737,470)	(2,180,383)
Net cash generated from / (used in) financing activities	63,410,091	(836,519)
Net increase in cash and cash equivalents	1,559,105	9,655,667
Cash and cash equivalents at the beginning of the period	2,955,185	451,298
Cash and cash equivalents at the end of the period	4,514,290	10,106,965

The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

AL RAJHI SAUDI EQUITY INCOME FUND
An open-ended mutual fund
(Managed by Al Rajhi Capital Company)
Notes to the Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2021

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

- (a) Al Rajhi Saudi Equity Income Fund (the “Fund”) is an open-ended investment fund created by an agreement between Al Rajhi Capital Company (the “Fund Manager”), a wholly owned subsidiary of 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 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. 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 Fund has appointed Al Bilad Investment Company (the “Custodian”) to act as its custodian. The fees of the Custodian are paid by the Fund.

- (b) 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) thereafter amended (the “Amended Regulations”) on 16 Sha’ban 1437H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations came into effect from 6 Safar 1438H (corresponding to 6 November 2016).

Furthermore, the Capital Market Authority, on 1 March 2021, has issued certain amendments to the Investment Funds Regulations and Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority. These amendments have effective dates starting from 1 May 2021. The Fund Manager is currently in the process of evaluating the impact, if any, of these amendments on the Fund’s financial statements.

2. BASIS OF ACCOUNTING

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Fund Regulations issued by the CMA, the Fund’s terms and conditions and the Information Memorandum. These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Fund’s annual audited financial statements for the year ended 31 December 2020.

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for investments held at FVTPL which are measured at fair value.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the condensed interim statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements are presented in Saudi Arabian Riyal (“SR”), which is the Fund’s functional currency. All amounts have been rounded to the nearest SR, unless otherwise indicated.

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Notes to the Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2021

5. USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

6. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended 31 December 2020.

a) *New IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Fund*

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2021 and accordingly adopted by the Fund, as applicable:

<u>Standards / Amendments</u>	<u>Description</u>
Amendments to IFRS 9, 7, 4, 16 and IAS 39	Interest Rate Benchmark Reform

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these condensed interim financial statements.

b) *New IFRS standards, IFRIC interpretations and amendments thereof issued but not yet effective*

The following new standards, amendments and revisions to existing standards, which were issued by IASB but not yet effective up to the date of issuance of the Fund's condensed interim financial statements. The Fund intends to adopt these standards when they become effective.

<u>Standards / Amendments</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 37	Onerous Contracts: cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 1, IFRS 9	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual framework	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale for Contribution of Assets between an Investor and its Associate or Joint Venture	Available for optional adoption

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For the six-month period ended 30 June 2021

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of bank balances with Al Rajhi Banking and Investment Corporation (the “Bank”), being the parent entity of the Fund Manager. In addition, these balances also comprise of cash placed with Al Bilad Investment Company (the Custodian) for buying and selling of investment securities.

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at FVTPL comprise equity securities in the following industry sectors as at the reporting date:

	30 June 2021 (Unaudited)			
	Cost	Fair value	% of	Unrealised
	SR	SR	Fair	gain
			value	SR
<u>Investments (by sectors)</u>				
Materials	70,502,816	84,632,614	37.30	14,129,798
Financials	28,339,405	35,936,243	15.84	7,596,838
Telecommunication Services	25,073,109	31,671,382	13.96	6,598,273
Energy	20,917,330	21,769,661	9.59	852,331
Industrials	14,191,877	19,539,931	8.61	5,348,054
Consumer Discretionary	16,161,885	18,734,206	8.26	2,572,321
Utilities	6,976,424	6,959,948	3.07	(16,476)
Retail	4,740,835	4,814,533	2.12	73,698
Real estate	2,228,928	2,838,088	1.25	609,160
Total	189,132,609	226,896,606	100.00	37,763,997

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8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	31 December 2020 (Audited)			
	Cost SR	Fair value SR	% of Fair value	Unrealised gain SR
<i>Investments (by sectors)</i>				
Materials	33,435,434	39,420,879	33.21	5,985,445
Financials	17,171,978	19,866,546	16.73	2,694,568
Telecommunication Services	15,048,955	16,492,858	13.89	1,443,903
Energy	14,041,898	14,245,851	12.00	203,953
Real Estate	6,772,234	7,276,209	6.13	503,975
Industrials	5,018,837	5,410,955	4.56	392,118
Retail	3,922,457	4,615,908	3.89	693,451
Utilities	2,643,752	3,212,317	2.71	568,565
Software and Services	2,716,134	3,067,529	2.58	351,395
Health Care	1,245,050	2,714,209	2.29	1,469,159
Consumer Discretionary	1,807,849	2,392,132	2.01	584,283
Total	103,824,578	118,715,393	100.00	14,890,815

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

9. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Fund include the Bank, the Fund Manager, the Fund Board, other funds managed by the Fund Manager and key management personnel of the Fund Manager. In the ordinary course of its activities, the Fund transacts business with the Fund Manager.

In addition to transactions disclosed elsewhere in these condensed interim financial statements, the Fund entered into the following transactions with related parties during the period. These transactions were carried out on the basis of approved terms and conditions of the Fund.

Related Party	Nature of relationship	Nature of transaction	For the six-month period ended 30 June	
			2021	2020
Al Rajhi Capital Company	The Fund Manager	Management fee	1,849,198	1,112,013
The Fund Board	The Fund Board	Fund Board fee to members of the Board	1,548	2,409

Balances arising from the above transactions with related parties are as follows:

Related Party	Nature of relationship	Nature of balance	30 June	31 December
			2021	2020
Al Rajhi Capital Company	The Fund Manager	Management fee payable	382,450	222,354
The Fund Board	The Fund Board	Fund Board fee payable to members of the Board	3,585	7,430

The units in issue at 30 June 2021 include 6,296 units held by the employees of the Fund Manager (31 December 2020: Nil units).

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9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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 directors' fees is 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.

10. ACCRUED EXPENSES

	<i>30 June 2021 (Unaudited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Accrued purification fees	50,994	47,215
Accrued edaa fees	46,412	36,198
Accrued professional fees	20,828	20,700
Accrued benchmark fees	15,112	30,475
Other accrued expenses	29,662	11,789
	<u>163,008</u>	<u>146,377</u>

11. PURIFICATION CHARGES

The purification charges amounting to SR 53,732 (30 June 2020: SR 26,146), 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.

12. OTHER EXPENSES

	For the six-month period ended 30 June	
	<i>2021 (Unaudited) SR</i>	<i>2020 (Unaudited) SR</i>
Professional fees	20,828	15,664
Benchmark fees	15,112	13,836
Custody fee	20,346	11,944
Others	29,909	23,752
	<u>86,195</u>	<u>65,196</u>

13. FAIR VALUE MEASUREMENT

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

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For the six-month period ended 30 June 2021

13. FAIR VALUE MEASUREMENT (continued)

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Fund only carries investments at fair value through profit or loss which are measured at fair value and are classified within level 1 of the fair value hierarchy. Other financial instruments such as cash and cash equivalents, management fee payable and accrued expenses are short term financial assets and financial liabilities whose carrying amounts are approximate to fair value, because of their short-term nature and the high credit quality of counterparties. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

14. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	<i>No fixed maturity SR</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<i>As at 30 June 2021 (Unaudited)</i>				
ASSETS				
Cash and cash equivalents	4,514,290	-	-	4,514,290
Investments at fair value through profit or loss	226,896,606	-	-	226,896,606
Receivable from sold securities	-	4,395,400	-	4,395,400
TOTAL ASSETS	231,410,896	4,395,400	-	235,806,296
LIABILITIES				
Management fee payable	-	382,450	-	382,450
Fund Board fee payable	-	3,585	-	3,585
Payable against investments	-	2,244,160	-	2,244,160
Accrued expenses	-	163,008	-	163,008
TOTAL LIABILITIES	-	2,793,203	-	2,793,203

	<i>No fixed maturity SR</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS				
Cash and cash equivalents	2,955,185	-	-	2,955,185
Investments at fair value through profit or loss	118,715,393	-	-	118,715,393
Receivable from sold securities	-	4,168,411	-	4,168,411
TOTAL ASSETS	121,670,578	4,168,411	-	125,838,989
LIABILITIES				
Management fee payable	-	222,354	-	222,354
Fund Board fee payable	-	7,430	-	7,430
Payable against investments	-	434,457	-	434,457
Payable to Unitholders on account of redemptions	-	53,058	-	53,058
Accrued expenses	-	146,377	-	146,377
TOTAL LIABILITIES	-	863,676	-	863,676

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For the six-month period ended 30 June 2021

15. LAST VALUATION DAY

The last valuation day of the period was 30 June 2021 (2020: 31 December 2020).

16. IMPACT OF COVID-19

The Coronavirus (“COVID-19”) pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Fund Manager continues to evaluate the current situation through reviewing its investment strategy and other risk management practices to manage the impact COVID 19 outbreak has had on its normal operations and financial performance.

17. DISTRIBUTION TO THE UNITHOLDERS

During the period ended 30 June 2021, the Fund distributed SR 2,737,470 (30 June 2020: SR 2,180,383) as dividend to the Unitholders.

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events subsequent to the reporting date which require adjustments of or disclosure in the financial statements or notes thereto.

19. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on 8 Muharram 1443H (corresponding to 16 August 2021).