

Riyad Small and Medium Cap Fund
Open-Ended Fund
(Managed by Riyadh Capital)
Interim Condensed Financial Statements (unaudited)
For the six-month period ended 30 June 2020
Together with the
Independent Auditor's Review Report to the Unitholders

Riyad Small and Medium Cap Fund
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(Managed by Riyadh Capital)

Interim Condensed Financial Statements (unaudited)
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
RIYAD SMALL AND MEDIUM CAP FUND
Kingdom of Saudi Arabia**

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of RIYAD SMALL AND MEDIUM CAP FUND (the "Fund") managed by Riyadh Capital (the "Fund Manager") as at 30 June 2020 and the related interim statement of comprehensive (loss) / income, interim statement of changes in net assets (Equity) attributable to the unitholders and interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). 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") that is 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 Engagement 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 condensed 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 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.

Ibrahim Ahmed Al-Bassam
Certified Public Accountant - License No. 337

06 Muharram 1442H
25 August 2020G
Riyadh, Kingdom of Saudi Arabia



Riyad Small and Medium Cap Fund
Open-Ended Fund
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INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 (unaudited)	31 December 2019 (audited)
		SAR	SAR
ASSETS			
Cash balance	8	1,984,192	177,144
Investments measured at fair value through profit or loss (FVTPL)	5	12,870,200	16,984,390
Dividend receivable		19,359	-
Total assets		14,873,751	17,161,534
LIABILITIES			
Accrued expenses	8	80,461	99,020
Redemption payable		38,091	-
Total liabilities		118,552	99,020
Net assets (Equity) attributable to the Unit holders		14,755,199	17,062,514
Units in issue (number)	6	755,323.47	820,587.44
Net assets (Equity) attributable to each unit		19.53	20.79

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INTERIM STATEMENT OF COMPREHENSIVE (LOSS) INCOME (UN-AUDITED)
For the six-month period ended 30 June 2020

Income	Note	30 June 2020 (unaudited)	30 June 2019 (unaudited)
		SAR	SAR
Net realized and unrealized (loss) /gain from investments measured at FVTPL	7	(1,013,257)	2,300,398
Dividend income		193,360	386,957
		(819,897)	2,687,355
Expenses			
Fund Management fees	8	(151,309)	(179,902)
Other expenses	8	(14,082)	(15,791)
		(165,391)	(195,693)
Net (Loss) /income for the period		(985,288)	2,491,662
Other comprehensive income		-	-
Total comprehensive (loss) /income for the Period		(985,288)	2,491,662

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INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS (UN-AUDITED)
For the six-month period ended 30 June 2020

	30 June 2020	30 June 2019
	(unaudited)	(unaudited)
	SAR	SAR
Net assets (Equity) at beginning of the Period	17,062,514	20,085,507
Net (loss) /income for the period	(985,288)	2,491,662
Other comprehensive income	-	-
Total comprehensive (loss) /income for the period	(985,288)	2,491,662
Changes from unit transactions:		
Issuance of units	238,134	22,500
Redemption of units	(1,560,161)	(5,765,537)
Net changes from unit transactions	(1,322,027)	(5,743,037)
Net assets (Equity) at end of the period	14,755,199	16,834,132

Riyad Small and Medium Cap Fund
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INTERIM STATEMENT OF CASH FLOWS (UN-AUDTIED)
For the six-month period ended 30 June 2020

	Note	30 June 2020 (unaudited) SAR	30 June 2019 (unaudited) SAR
Cash flows from operating activities:			
Net (loss)/ income for the period		(985,288)	2,491,662
Adjustments for:			
Unrealized gain on investments measured at FVTPL	7	(439,181)	(1,995,091)
		(1,424,469)	496,571
Net changes in operating assets and liabilities:			
Investments measured at FVTPL		4,553,372	4,952,824
Dividend receivable		(19,359)	(5,485)
Accrued expenses		(18,559)	(25,527)
Net cash from operating activities		3,090,985	5,418,383
Cash flows from financing activities:			
Proceeds from issuance of units		238,134	22,500
Redemptions of the units, net off payable		(1,522,071)	(5,765,537)
Net cash used in financing activities		(1,283,937)	(5,743,037)
Net change in cash balance		1,807,048	(324,654)
Cash balance at beginning of the period		177,144	407,334
Cash balance at end of the period	8	1,984,192	82,680

Riyad Small And Medium Cap Fund
Open-Ended Fund
(Managed by Riyad Capital)
Notes to the Interim Condensed financial statements (unaudited)
For the period ended 30 June 2020

1 FUND AND ITS ACTIVITIES

The Riyad Small and Medium Cap Fund (the “Fund”) is established and managed through an agreement between Riyad Capital (the “Fund Manager”) and the Fund investors (the “Unitholders”). The Fund aims to achieve long-term capital growth through investing primarily in equities of small and medium sized Saudi companies and also in equities of small and medium sized Gulf companies within the criteria set by Shariah Committee of Riyad Capital.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares a separate financial statement for the Fund.

The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s Agreement, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas.

Capital Market Authority (“CMA”) approval for the establishment of the Fund was granted in its letter number 291/5 dated 23, Muharram 1430H (corresponding to 20 January 2009). The Fund commenced its operations on 30 December 2009.

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by (“CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) which was amended on 16 Shaban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”).

These interim condensed financial statements do not include all of the information required in annual financial statements and should be read in conjunction with the annual financial statements of the Fund for the year ended 31 December 2019. The results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

Assets and liabilities in the interim statement of financial position are presented in the order of liquidity.

2.2 Basis of measurement

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for the investments carried at fair value through profit or loss that are measured at fair value.

Riyad Small And Medium Cap Fund

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Notes to the Interim Condensed financial statements (unaudited)

For the period ended 30 June 2020

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

(continued)

2.3 Functional and presentation currency

Items included in the interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These interim condensed financial statements are presented in Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates

Prevailing at the interim condensed statement of financial position date. Foreign exchange gains and losses, if any, arising from translation are included in the interim condensed statement of comprehensive income.

2.4 New standards, interpretations and amendments

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the annual financial statements of the Fund 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 several other 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 Fund 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.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make 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 accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

4 MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

On each Valuation Day, the Fund Manager charges the Fund management fee at the rate of 1.75% percent per annum of the Fund's net assets value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board compensation and other similar charges. These charges are not expected to exceed in total 0.2 percent per annum of the Fund’s net assets value.

In addition, on daily basis the Fund Manager charges the Fund, custody and administrative fees each at the rate of 0.035% and 0.2% per annum of the Fund’s net asset value respectively.

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Notes to the Interim Condensed financial statements (unaudited)

For the period ended 30 June 2020

5 INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The Fund invests primarily in equity securities of listed Saudi companies. The market value of trading investment portfolio by sector wise is summarized as follows:

	30 June 2020 (unaudited) Market Value	31 December 2019 (audited) Market Value
<u>Equities:</u>		
Materials	2,233,603	5,510,112
Banks	1,803,165	2,951,047
Food & Beverages	1,801,310	999,507
Insurance	1,091,312	966,491
Health Care Equipment & Svc	1,692,753	465,097
Telecommunication Services	824,414	721,800
Real Estate Mgmt & Dev't	790,048	1,078,265
Food & Staples Retailing	772,426	-
Retailing	556,230	1,271,588
Transportation	333,237	430,664
Energy	302,297	546,250
Consumer Services	247,046	1,354,580
Pharma, Biotech & Life Science	225,388	-
REIT	196,971	-
Commercial & Professional Svc	-	688,989
Total market value	12,870,200	16,984,390
Total Cost	12,431,018	14,506,426

6 UNIT TRANSACTIONS

Transactions in units for the period / year are summarized as follows:

	30 June 2020 (unaudited)	31 December 2019 (audited)
	<i>(Units in numbers)</i>	
Units at the beginning of the period / year	820,587.44	1,146,278.31
Units issued	12,718.85	21,403.17
Units redeemed	(77,982.82)	(347,094.04)
Net change in units	(65,263.97)	(325,690.87)
Units at the end of the period / year	755,323.47	820,587.44

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For the period ended 30 June 2020

7	NET REALIZED AND UNREALIZED (LOSS) /GINE FROM INVESTMENTS AT FVTPL	30 June 2020	30 June 2019
		(unaudited)	(unaudited)
	Realized (loss) / gain	(1,452,438)	305,307
	Unrealized gain	439,181	1,995,091
		(1,013,257)	2,300,398

8 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include "Riyad Capital" being the Fund Manager, Riyadh Bank (being the Shareholder of Riyadh Capital) and other funds managed by the Fund Manager.

In the ordinary course of its activities, the Fund transacts business with related parties. The related parties' transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund Board of directors.

Other expenses paid by the Fund Manager on behalf of the Fund are charged to the Fund.

As at 30 June 2020 the amount held therewith, in investments account, was SAR 1,984,192 (31 December 2019: SAR 177,144).

The significant related party transactions entered into by the Fund during the period / year and the balances resulting from such transactions are as follows:

Related Party	Nature of transactions	Amount of transaction during the period		Closing balance Receivable / (Payable)	
		30 June 2020 (unaudited)	30 June 2019 (unaudited)	30 June 2020 (unaudited)	31 December 2019 (audited)
Riyad Capital	Fund management fee	151,309	179,902	(70,455)	(81,728)
	Expenses paid on behalf of the Fund	14,082	15,791	(10,006)	(17,292)

9 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2020 (unaudited)	Amortized cost	FVTPL
Assets as per statement of financial position	SAR	SAR
Cash balance	1,984,192	-
Investments measured at fair value through profit or loss (FVTPL)	-	12,870,200
Dividend receivable	19,359	-
Total	2,003,551	12,870,200

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9 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2019 (audited)	Amortized cost	FVTPL
Assets as per statement of financial position	SAR	SAR
Cash balance	177,144	-
Investments measured at fair value through profit or loss (FVTPL)	-	16,984,390
Total	177,144	16,984,390

10 FAIR VALUE

All assets and liabilities for which fair value is measured or disclosed in the interim condensed financial statements are categorized within the fair value hierarchy, 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; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fund classifies all of its financial assets except for those carried at amortized cost, at fair value as level 1.

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting period during which the change has occurred. During the period, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

Other financial instruments such as, cash balance carried at amortized cost. Carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

11 FINANCIAL RISK MANAGEMENT

11.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

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

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

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11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

(a) Market risk

(i) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, Fund has equity investments.

The effect on the net assets value (as a result of the change in the fair value of investments as at 30 June) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows:

	30 June 2020 (unaudited)		31 December 2019 (audited)	
	Potential reasonable change %	Effect On NAV	Potential reasonable change %	Effect on NAV
Materials	+/-1%	22,336	+/-1%	55,101
Banks	+/-1%	18,032	+/-1%	29,510
Food & Beverages	+/-1%	18,013	+/-1%	9,995
Health Care Equipment & Svc	+/-1%	16,928	+/-1%	4,651
Insurance	+/-1%	10,913	+/-1%	9,665
Telecommunication Services	+/-1%	8,244	+/-1%	7,218
Real Estate Mgmt & Dev't	+/-1%	7,900	+/-1%	10,783
Food & Staples Retailing	+/-1%	7,724	+/-1%	-
Retailing	+/-1%	5,562	+/-1%	12,716
Transportation	+/-1%	3,332	+/-1%	4,307
Energy	+/-1%	3,023	+/-1%	5,463
Consumer Services	+/-1%	2,470	+/-1%	13,546
Pharma, Biotech & Life Science	+/-1%	2,254	-	-
REIT	+/-1%	1,970	-	-
Commercial & Professional Svc	-	-	+/-1%	6,890

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its cash balance carried amortized cost as follows:

	30 June 2020 (unaudited)	31 December 2019 (audited)
Cash balance	1,984,192	177,144

The carrying amount of financial assets represents the maximum credit exposure.

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11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

Credit risk on cash balances is limited as:

- All financial assets of Fund's held with counterparties with sound credit ratings.
- The fund applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on Monday and Thursday, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager. The expected maturity of the assets and liabilities of the Fund is less than 12 months.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

12 LAST VALUATION DAY

The last valuation day of the period was 30 June 2020 (30 June 2019).

13 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved and authorized for issue by the Fund Board on 25 August 2020 (corresponding to 6 Muharram 1442H).