

HSBC Multi-Assets Balanced Fund (Managed by HSBC Saudi Arabia)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF HSBC MULTI-ASSETS BALANCED FUND (MANAGED BY HSBC SAUDI ARABIA)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC Multi-Assets Balanced Fund (the "Fund") managed by HSBC Saudi Arabia (the "Fund Manager") as at 30 June 2022, and the related interim condensed statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period ended 30 June 2022, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The financial information presented in the interim condensed financial statements are as at 29 June 2022. Management is unable to quantify the impact of not reporting the financial information as at 30 June 2022 and consequently the effects on the interim financial statements of the failure to report the financial information as at 30 June 2022 have not been determined.

Qualified Conclusion

Based on our review, because of the possible significance of the matter discussed in the Basis of Qualified Conclusion section of our review report, we are unable to conclude that the accompanying interim condensed financial statements are prepared, in all material respects, in accordance with IAS 34 that are endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young Professional Services

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 19 Muharram 1444H
(17 August 2022)



HSBC Multi-Assets Balanced Fund

Interim condensed statement of financial position

As at 30 June 2022

		30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
	<i>Notes</i>		
ASSETS			
Bank balance		10,669,843	12,748,038
Financial assets at fair value through profit or loss (FVTPL)	5	590,914,177	588,579,449
Financial assets at fair value through other comprehensive income (FVOCI)	6	7,028,520	7,404,373
Dividend receivable		497,956	426,820
Receivable from sold securities		3,811,184	1,209,245
TOTAL ASSETS		612,921,680	610,367,925
LIABILITIES			
Management fee payable	7	17,264	33,954
Accrued expenses and other payables		4,100,015	10,935,247
TOTAL LIABILITIES		4,117,279	10,969,201
EQUITY			
Net assets attributable to unitholders of redeemable units		608,804,401	599,398,724
TOTAL LIABILITIES AND EQUITY		612,921,680	610,367,925
Redeemable units in issue		26,061,856	26,033,912
Net asset value attributable to each per unit		23.36	23.02

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC Multi-Assets Balanced Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	Notes	30 June 2022 SR	30 June 2021 SR
INCOME			
Net movement in unrealised (loss) gain on financial assets at FVTPL		(30,958,913)	24,317,239
Net realised gain on disposal of financial assets at FVTPL		38,534,100	10,672,667
Dividend income		1,032,145	1,761,672
Special commission income from financial assets at FVOCI		195,484	125,310
Net exchange loss		(5,878)	(7,878)
Other income		-	1,438
TOTAL INCOME		8,796,938	36,870,448
EXPENSES			
Management fees	6	1,634,030	1,030,513
Other expenses		143	-
Impairment (reversal) charge for expected credit losses	5	(1,184)	134,804
TOTAL EXPENSES		1,632,989	1,165,317
NET INCOME FOR THE PERIOD		7,163,949	35,705,131
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Net unrealized (loss) gain on financial assets at FVOCI		(374,761)	147,219
Movement in fair value / allowance for expected credit losses on investments at FVOCI		(1,184)	134,804
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,788,004	35,987,154

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC Multi-Assets Balanced Fund

Interim condensed statement of changes in equity attributable to the unitholders (unaudited)

For the six-month period ended 30 June 2022

	2022 SR	2021 SR
EQUITY AT THE BEGINNING OF THE PERIOD	599,398,724	346,884,400
Net income for the period	7,163,949	35,705,131
Net movement in unrealised (loss) gain on investments at FVCOI	(374,761)	147,219
Movement in fair value / allowance for expected credit losses on investments at FVOCI	(1,184)	134,804
Total comprehensive income for the period	6,788,004	35,987,154
Issue of units during the period	118,638,113	169,828,084
Redemption of units during the period	(116,020,440)	(31,752,050)
Net changes from unit transactions	2,617,673	138,076,034
EQUITY AT THE END OF THE PERIOD	608,804,401	520,947,588
	<u>Units</u>	<u>Units</u>
REDEEMABLE UNIT TRANSACTIONS		
Transactions in redeemable units during the period are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	26,033,912	17,473,700
Issue of units during the period	4,884,049	8,021,991
Redemption of units during the period	(4,856,105)	(1,525,841)
Net changes in units	27,944	6,496,150
UNITS AT THE END OF THE PERIOD	26,061,856	23,969,850

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC Multi-Assets Balanced Fund

Interim condensed statement of cash flows (unaudited)

For the six-month period ended 30 June 2022

	2022 SR	2021 SR
OPERATING ACTIVITIES		
Net income for the period	7,163,949	35,705,131
<i>Adjustments to reconcile net income to net cash flows from operating activities:</i>		
Net movement in unrealised loss / (gain) on financial assets at FVTPL	30,958,913	(24,317,239)
Impairment charge for expected credit losses	(1,184)	134,804
	38,121,678	11,522,696
<i>Working capital adjustments:</i>		
Financial assets at FVTPL	(33,293,641)	(139,744,448)
Financial assets measured at FVOCI	1,092	(3,163,985)
Dividend receivable	(71,136)	(2,301,796)
Receivable from sold securities	(2,601,939)	-
Management fee payable	(16,690)	36,877
Accrued expenses and other payables	(6,835,232)	(1,414,920)
Net cash flows used in operating activities	(4,695,868)	(135,065,576)
FINANCING ACTIVITIES		
Proceeds from issuance of units	118,638,113	169,828,084
Payment on redemption of units	(116,020,440)	(31,752,050)
Net cash flows from financing activities	2,617,673	138,076,034
(DECREASE) INCREASE IN BANK BALANCE	(2,078,195)	3,010,458
Bank balance at the beginning of the period	12,748,038	3,244,862
BANK BALANCE AT THE END OF THE PERIOD	10,669,843	6,255,320
<u>OPERATIONAL CASH FLOWS FROM SPECIAL COMMISSION INCOME:</u>		
Special commission income received	196,576	110,081

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC Multi-Assets Balanced Fund

Notes to unaudited interim condensed financial statements

At 30 June 2022

1. INCORPORATION AND ACTIVITIES

HSBC Multi-Assets Balanced Fund (the “Fund”) is an open-ended investment fund created by an agreement between HSBC Saudi Arabia (the “Fund Manager”) and investors (the “Unitholders”) in the Fund. The address of the Fund Manager is as follows:

HSBC Saudi Arabia, Head Office
HSBC Building 7267
Olaya Street (Al-Murooj District)
Riyadh 12283-2255
Kingdom of Saudi Arabia

HSBC Multi-Assets Balanced Fund (“the Fund”) is an investment fund established through an agreement between HSBC Saudi Arabia (“the Fund Manager”) and investors (“the Unitholders”).

The objective of the Fund is to seek long term capital growth and the potential to preserve capital. The Fund Manager will allocate the capital across Shariah compliant securities such as murabaha transactions, sukuks and equities either directly, through mutual funds or through discretionary managed accounts in order to achieve the portfolio objective.

The Fund is managed by the Fund Manager who also acts as the administrator of the Fund. Al Bilad Capital is the custodian of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

The Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The main changes were relating to applying the new regulations requirements related to the fund documentation and amending the level of risk from high to medium risk. The Fund updated its terms and conditions which were approved by the CMA on 30 Rajab 1443H (corresponding to 3 March 2022).

The Fund Manager has announced that it agreed to transfer its asset management, retail brokerage and retail margin lending businesses to Alawwal Invest, a wholly owned subsidiary of the Saudi British Bank. Accordingly, the Fund Manager is in the process to obtain necessary approvals from CMA for transferring the management of the Fund to the new Fund Manager.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the 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. . The Regulations were further Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12 Rajab1442H (corresponding to 24 February 2021G). The amended regulations are effective from 19 Ramadan 1442H (corresponding to 1 May 2021G).

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1. Basis of preparation

These unaudited interim condensed financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the kingdom of Saudi Arabia.

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2021. In addition, result for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The unaudited interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for financial assets held at FVTPL and financial assets held at FVOCI that are measured at fair value. These unaudited interim condensed financial statements are presented in Saudi Arabian Riyals (“SR”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest SR.

HSBC Multi-Assets Balanced Fund

Notes to unaudited interim condensed financial statements (Continued)

At 30 June 2022

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (continued)

3.2. New standards and amendments to standards

New standards and amendments adopted by the Company

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Various amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Fund.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient (effective for annual periods beginning on or after 1 April 2021).
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022):
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial
- Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a fund includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities (deferred until accounting periods starting not earlier than 1 January 2024).
- Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 (annual periods beginning on or after 1 January 2023).
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction (annual periods beginning on or after 1 January 2023).
- IFRS 17, 'Insurance Contracts', as amended in June 2020 (annual periods beginning on or after 1 January 2023).
- A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts (annual periods beginning on or after 1 January 2023).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The significant accounting judgements and estimates used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the Fund's annual financial statements for the year ended 31 December 2021.

HSBC Multi-Assets Balanced Fund

Notes to unaudited interim condensed financial statements (Continued)

At 30 June 2022

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

The composition of the investment's portfolio on the last valuation day of the period/year end is summarised below:

30 June 2022 (Unaudited)				
	% of Market value	Cost SR	Market value SR	Unrealised gain (loss), net SR
<i>Investments in mutual funds</i>				
HSBC Saudi Companies Equity Fund	13.2	76,000,000	77,869,762	1,869,762
HSBC Saudi Riyal Trading Fund	41.8	242,124,760	246,828,441	4,703,681
HSBC Global Equity Index Fund	9.7	48,661,077	57,462,908	8,801,831
HSBC Sukuk Fund	10.9	71,238,564	64,502,412	(6,736,152)
HSBC Saudi Free Style Equity Fund	9.6	36,414,087	56,505,994	20,091,907
HSBC GCC Equity Fund	9.9	38,978,956	58,602,982	19,624,026
SNB Capital Emerging Markets Index Fund	3.9	30,030,753	23,139,435	(6,891,318)
Enhanced Murabaha Fund	1.0	6,000,000	6,002,243	2,243
	100	549,448,197	590,914,177	41,465,980

31 December 2021 (Audited)				
	% of Market value	Cost SR	Market value SR	Unrealised gain (loss), net SR
<i>Investments in mutual funds</i>				
HSBC Saudi Companies Equity Fund	7.1	41,100,000	41,704,998	604,998
HSBC Saudi Riyal Trading Fund	35.6	205,447,718	209,496,993	4,049,275
HSBC Global Equity Index Fund	12.8	48,688,061	75,525,546	26,837,485
HSBC Sukuk Fund	11.6	71,238,563	68,372,244	(2,866,319)
HSBC Saudi Free Style Equity Fund	17.8	74,544,421	104,506,888	29,962,467
HSBC GCC Equity Fund GCF	9.3	38,230,659	54,541,122	16,310,463
SNB Capital Emerging Markets Index Fund	5.8	36,905,134	34,431,658	(2,473,476)
Total	100.0	516,154,556	588,579,449	72,424,893

6. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
Debt Securities – Sukuks	6,992,491	7,367,252
Accrued special income	36,029	37,121
	7,028,520	7,404,373

The average special commission rate on investments as at the end of 30 June 2022 is 5.38% p.a. (31 December 2021: 5.38% p.a.). The above debt securities are redeemable at par Sukuk investments.

HSBC Multi-Assets Balanced Fund

Notes to unaudited interim condensed financial statements (Continued)

At 30 June 2022

6. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (continued)

The movement in the allowance for expected credit losses for debt securities (sukuk) is summarized as follows:

	30 June 2022 (Unaudited) SR	30 June 2021 (Unaudited) SR
Balance at beginning of the period	74,743	30,260
(Reversal) charge for the period	(1,184)	134,804
Balance at the end of the period	<u>73,559</u>	<u>165,064</u>

The methodology and assumptions applied by the Fund in estimating the ECL on sukuk placements is based on using the Moody's rating scales which are then adjusted for country specific data based on where the sukuk's underlying assets / projects are, forward looking estimates and macroeconomic variables such as expected GDP growth, to determine the ECL as at the end of the reporting period.

7. TRANSACTIONS WITH RELATED PARTIES

A. Transactions and balances with Fund Manager

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties of the Fund comprise HSBC Saudi Arabia (being the Fund Manager, the Fund Board and administrator of the Fund), mutual funds managed by the Fund Manager and The Saudi British Bank ("SABB") (being significant shareholder of the Fund Manager).

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are undertaken at mutually agreed prices and approved by the Fund Manager. These transactions were carried out on the basis of approved terms and conditions of the Fund.

During the year, the Fund entered into the following transactions with related parties in the ordinary course of business:

Related party	Nature of transactions	Amount of transactions		Balance	
		2022 SR	2021 SR	2022 SR	2021 SR
HSBC Saudi Arabia (Fund Manager)	Fund management fee	1,634,030	1,030,513	17,264	33,954
Saudi British Bank (Majority shareholder of Fund Manager)	Cash at bank			975,833	138,219

The Fund pays the Fund Manager a management fee calculated at an annual rate of 0.45% per annum calculated on the net asset value at each valuation date.

The units in issue at 30 June 2022 include 4,515 units held by the employees of the Fund Manager (31 December 2021: 3,237 units).

The Saudi British Bank ("SABB") (parent of the Fund Manager) acts as the Fund's banker. The Fund has made investments aggregating to SR 561,772,499 (31 December 2021: SR 554,147,791) in other funds managed by the Fund Manager.

Fund Board member compensation and other fees such as custodian fee and administration fee during the year has been borne and paid by HSBC Saudi Arabia.

HSBC Multi-Assets Balanced Fund

Notes to unaudited interim condensed financial statements (Continued)

At 30 June 2022

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has investments at fair value through profit or loss which is measured at fair values and are classified within level 2 of the fair value hierarchy and the Fund's investments at FVOCI is measured at fair values and classified within level 2 of the fair value hierarchy. All other financial assets and liabilities are classified as amortized cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 3 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

9. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

<i>As at 30 June 2022 (Unaudited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	10,669,843	-	10,669,843
Financial assets at fair value through profit or loss (FVTPL)	590,914,177	-	590,914,177
Financial assets at fair value through other comprehensive income (FVOCI)	-	7,028,520	7,028,520
Dividend receivable	497,956	-	497,956
Receivable from sold securities	3,811,184	-	3,811,184
TOTAL ASSETS	605,893,160	7,028,520	612,921,680
LIABILITIES			
Management fee payable	17,264	-	17,264
Accrued expenses and other payables	4,100,015	-	4,100,015
TOTAL LIABILITIES	4,117,279	-	4,117,279
 <i>As at 31 December 2021 (Audited)</i>	 <i>Within 12 months SR</i>	 <i>After 12 months SR</i>	 <i>Total SR</i>
ASSETS			
Bank balance	12,748,038	-	12,748,038
Financial assets at fair value through profit or loss (FVTPL)	588,579,449	-	588,579,449
Financial assets at fair value through other comprehensive income (FVOCI)	-	7,404,373	7,404,373
Dividend receivable	426,820	-	426,820
Receivable from sold securities	1,209,245	-	1,209,245
TOTAL ASSETS	602,963,552	7,404,373	610,367,925
LIABILITIES			
Management fee payable	33,954	-	33,954
Accrued expenses and other payables	10,935,247	-	10,935,247
TOTAL LIABILITIES	10,969,201	-	10,969,201

HSBC Multi-Assets Balanced Fund

Notes to unaudited interim condensed financial statements (Continued)

At 30 June 2022

10. LAST VALUATION DAY

The last valuation day of the period was 29 June 2022 (year ended 31 December 2021: 30 December 2021).

11. SIGNIFICANT EVENT

As the COVID-19 pandemic continues, Government is constantly taking measures to address public health issues and the economic impact. Accordingly, the Group's management continues to assess whether it will be affected by any developments and measures taken by Government and proactively assess its impact on its operations.

It is still uncertain to determine the size and extent of these effects, depending on future developments that cannot be accurately predicted at the present time, such as the rate of transmission of the virus and the size and effectiveness of the measures taken to contain it. In light of the uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact on the date of approval of these financial statements.

12. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These unaudited interim condensed financial statements were approved by the Fund's management on 19 Muharram 1444H (corresponding to 17 August 2022).