

التقرير النصف سنوي – النصف الأول 2018
- صندوق إتش إس بي سي لأسهم المؤسسات المالية السعودية -
(HSBC Saudi Financial Institutions Equity Fund)

*جميع تقارير الصندوق متوفرة عند الطلب مجاناً.



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صندوق إتش إس بي سي لأسهم المؤسسات المالية السعودية
(HSBC Saudi Financial Institutions Equity Fund)

اسم الصندوق

مدير الصندوق

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اسمه

عنوانه

مدير الصندوق من الباطن (إن وجد)

لا يوجد

اسمه

عنوانه

مستشار الاستثمار (إن وجد)

لا يوجد

اسمه

عنوانه

ب. أي تغييرات حدثت على شروط وأحكام ومذكرة المعلومات (بالنسبة للصندوق العام) أو مستندات الصندوق (بالنسبة للصندوق الخاص) خلال الفترة

حدث في النصف الأول من عام 2018 التغييرات التالية :

- إضافة ضريبة القيمة المضافة لتشمل مقابل رسوم الخدمات المقدمة للصناديق.
- تعيين شركة البلاد المالية أمين حفظ مستقل.
- تم تحديث شروط وأحكام الصندوق وإصدار مذكرة المعلومات وملخص المعلومات " المستندات " للالتزام بمتطلبات لائحة الاستثمار الصادرة عن هيئة السوق المالية.

ج. أنشطة الاستثمار خلال الفترة

لم تحدث أي أنشطة استثمار على الصندوق خلال النصف الأول من العام 2018.

د. تقرير عن أداء صندوق الاستثمار خلال الفترة

خلال النصف الأول من 2018، شهد مؤشر تداول لأسهم المؤسسات المصرفية انتعاشاً قوياً، حيث أنهى النصف الأول من العام 2018 بعائد بلغت نسبته 29.03%. وحقق القطاع المصرفي خلال النصف الأول من العام نمواً في أرباحه بنسبة 10% تقريباً مدفوعة بارتفاع أسعار الفائدة وخلال النصف الأول من 2018 ساهم التحسن في متوسط أسعار النفط خلال الفترة و شمل المملكة العربية السعودية ضمن مؤشرات الأسواق الناشئة مساهمة إيجابية في أداء السوق خلال النصف الأول من العام.

وخلال الفترة، ارتفع الصندوق بنسبة 28.25%، أقل من المؤشر الاسترشادي بنسبة 0.78%.

هـ. أي خطأ في التسعير أو التقويم خلال الفترة

لا يوجد

و. أي معلومة أخرى من شأنها أن تمكن مالكي الوحدات من اتخاذ قرار مدروس ومبني على معلومات كافية بشأن أنشطة الصندوق خلال الفترة

لا يوجد معلومات أخرى عن الصندوق غير ما تم ذكره في هذا التقرير وشروط وأحكام الصندوق والقوائم المالية الخاصة بالصندوق، وعلى المستثمر الحرص على قراءة الشروط والأحكام وجميع المستندات الأخرى الخاصة بالصندوق و/أو أخذ المشورة من المستشار الاستثماري و/أو مستشار الضرائب و/أو المستشار القانوني قبل اتخاذ أي قرار استثماري.

ز. نسبة رسوم الإدارة المحتسبة على الصندوق نفسه والصناديق التي يستثمر فيها الصندوق (إذا كان الصندوق يستثمر

بشكل كبير في صناديق استثمار أخرى)

لا ينطبق

ح. أي عمولات خاصة حصل عليها مدير الصندوق خلال الفترة

يستلم مدير الصندوق التقارير والأبحاث المصدرة عن طريق الوسيط الذي يقوم بتنفيذ العمليات من خلاله والتي تكون متاحة لجميع عملاء الوسيط، بالإضافة إلى ترتيب اجتماعات مع الشركات المدرجة بناء على طلب مدير الصندوق للقاء بهم.

HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Interim Condensed Financial Statements
For the six-month period ended 30 June 2018

HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND
(An open-ended mutual fund)
Interim condensed statement of financial position (Unaudited)
(Saudi Arabian Riyal)

	<i>Notes</i>	30 June 2018	<i>31 December 2017</i>	<i>1 January 2017</i>
ASSETS				
Cash and cash equivalents	<i>10</i>	985,815	189,557	862,870
Investments at fair value through profit or loss	<i>11</i>	68,230,972	37,747,994	36,905,130
Receivables and advances		132,627	112,351	3,600
TOTAL ASSETS		69,349,414	38,049,902	37,771,600
LIABILITIES				
Accrued expenses	<i>13</i>	1,021,889	10,605	8,796
TOTAL LIABILITIES		1,021,889	10,605	8,796
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS				
		68,327,525	38,039,297	37,762,804
Units in issue (numbers)		3,454,028	2,466,227	2,783,029
Net asset (equity) value per unit - IFRS	<i>17</i>	19.78	15.42	13.57
Net asset (equity) value per unit - Dealing	<i>17</i>	19.78	15.42	13.57

The accompanying notes 1 to 21 form integral part of these interim condensed financial statements.

The interim condensed financial statements and accompanying disclosures in the report are signed off on behalf of the Fund Board based on the authorization issued:

Saqib Masood
Chief Investment Officer

Chistie K Moinuddin
Chief Financial Officer

HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND
(An open-ended mutual fund)
Interim condensed statement of comprehensive income (Unaudited)
(Saudi Arabian Riyal)

		For the six-month period ended	
		30 June	
	<i>Notes</i>	<i>2018</i>	<i>2017</i>
INVESTMENT INCOME			
Net gains from investments at FVTPL	<i>12</i>	11,626,504	2,296,214
Dividend income		1,091,547	1,007,875
Other income		479	6,092
TOTAL INCOME		12,718,530	3,310,181
EXPENSES			
Management fees	<i>14</i>	436,439	283,690
NET INCOME FOR THE PERIOD		12,282,091	3,026,491
Other comprehensive income		--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		12,282,091	3,026,491

The accompanying notes 1 to 21 form integral part of these interim condensed financial statements.

The interim condensed financial statements and accompanying disclosures in the report are signed off on behalf of the Fund Board based on the authorization issued:



Saqib Masood
Chief Investment Officer



Chistie K Moinuddin
Chief Financial Officer

HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND**(An open-ended mutual fund)****Interim statement of changes in net assets (equity) attributable for the Unitholders (Unaudited)****For the six-month period ended 30 June****(Saudi Arabian Riyal)**

	<i>2018</i>	<i>2017</i>
Net assets (equity) attributable to the unitholders as at the beginning of the period	38,039,297	37,762,804
Net income for the period	12,282,091	3,026,491
<i>Contributions and redemptions by the unitholders:</i>		
Proceeds from issuance of units	26,348,956	138,433
Payments against redemption of units	(8,342,819)	(1,305,942)
Net change from unit transactions	18,006,137	(1,167,509)
Net assets (equity) attributable to the unitholders as at 30 June	68,327,525	39,621,786

UNIT TRANSACTIONS

Transactions in units for the period ended 30 June are summarised as follows:

	<i>2018</i>	<i>2017</i>
	<i>(In numbers)</i>	
Units as at the beginning of the period	2,466,227	2,783,029
Units issued during the period	1,435,367	10,964
Units redeemed during the period	(447,566)	(101,455)
Net increase / (decrease) in units	987,801	(90,491)
Units as at end of the period	3,454,028	2,692,538

The accompanying notes 1 to 21 form integral part of these interim condensed financial statements.

HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND**(An open-ended mutual fund)****Interim condensed statement of cash flows (Unaudited)****(Saudi Arabian Riyal)**

	For the six-month period ended	
	30 June	
	<i>2018</i>	<i>2017</i>
Cash flow from operating activities		
Net income for the period	12,282,091	3,026,491
<i>Adjustment to reconcile net income to net cash (used in) / generated from operating activities:</i>		
Unrealized gains on investments at FVTPL	(10,631,478)	(2,801,949)
	1,650,613	224,542
Net changes in operating assets and liabilities		
Investments at FVTPL	(19,851,501)	906,624
Receivables and advances	(20,276)	(537,170)
Accrued expenses	1,011,285	400,334
Net cash (used in) / generated from operating activities	(17,209,879)	994,330
Cash flow from financing activities		
Proceeds from issuance of units	26,348,956	138,433
Payments against redemption of units	(8,342,819)	(1,305,942)
Net cash generated from / (used in) financing activities	18,006,137	(1,167,509)
Net increase / (decrease) in cash and cash equivalents	796,258	(173,179)
Balance as at the beginning of the period	189,557	862,870
Balance at the end of the period	985,815	689,691

The accompanying notes 1 to 21 form integral part of these interim condensed financial statements.

HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND
(An open-ended mutual fund)
Notes to the interim condensed financial statements (Unaudited)
For the six-month period ended 30 June 2018
(Saudi Arabian Riyal)

1 GENERAL

HSBC Saudi Financial Institutions Equity Fund (“the Fund”) is an investment fund established through an agreement between HSBC Saudi Arabia (“the Fund Manager”) and Fund investors (“the Unitholders”).

The objective of the Fund is to achieve, over the medium to long-term, capital appreciation by investing in a portfolio of equities of financial institutions listed on Tadawul (Saudi stock exchange market), including banks and financial services companies, as well as investing in The Saudi British Bank (“SABB”).

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

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (“the Regulations”) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia and published by the Capital Market Authority (“the CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006). The Regulations were further amended on 16 Sha’aban 1437H (corresponding to 23 May 2016) (“the Amended Regulations”). The Fund Manager believes that the Amended Regulations was effective since 6 Safar 1438H (corresponding to 06 November 2016).

During the period ended 30 June 2018, the Fund Manager has made certain revisions to the terms and conditions of the Fund. The main change in the terms and conditions relates to change in custodianship. The Fund updated its terms and conditions which were approved by the CMA on 14 Rajab 1439H (corresponding to 1 April 2018).

3 SUBSCRIPTION/REDEMPTION (DEALING DAY AND VALUATION DAY)

The Fund is open for subscriptions / redemptions of units twice weekly on Sunday and Tuesday (each being a “Dealing Day”). The value of the Fund’s portfolio is determined twice weekly on Monday and Wednesday (each being a “Valuation Day”). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding fund units on the relevant Valuation Day.

4 BASIS OF PREPARATION

These interim condensed financial statements are prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by the CMA, the Fund’s Terms and Conditions and the Information Memorandum.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2017. The Fund has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018 and accounting policies for these new standards are disclosed in the Note 8.

For all periods up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards as issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). The interim condensed financial statements for the six-month period ended 30 June 2018 are the first financial statements of the Fund prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Fund is provided in note 18.

HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND
(An open-ended mutual fund)
Notes to the interim condensed financial statements (Unaudited)
For the six-month period ended 30 June 2018
(Saudi Arabian Riyal)

5 FUNCTIONAL AND PRESENTATIONAL CURRENCY

These interim condensed financial statements are presented in Saudi Riyal (“SR”), which is the Fund’s functional currency.

6 BASIS OF MEASUREMENT

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

The Fund Manager has made an assessment of the Fund’s ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Fund Manager is not aware of any material uncertainties that may cast significant doubt upon the Fund’s ability to continue as a going concern. Therefore, the interim condensed financial statements continue to be prepared on the going concern basis.

The financial statement accounts in the statement of financial position have been presented in the order of liquidity.

7 USE OF JUDGMENTS AND ESTIMATES

The preparation of these interim condensed financial statements in conformity with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Fund’s accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

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

8 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim condensed financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Where policies are applicable only after or before 1 January 2018, those policies have been particularly specified in note 18.

Foreign currency translation

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss as net foreign exchange gain/(loss), except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain/(loss) from financial instruments at FVTPL.

Net asset value (Equity)

Net asset (equity) value per unit, as disclosed in the balance sheet is calculated by dividing the net assets of the Fund by the number of units in issue as at period end.

HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND
(An open-ended mutual fund)
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For the six-month period ended 30 June 2018
(Saudi Arabian Riyal)

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subscription and redemption of units

Units subscribed and redeemed are recorded at net asset (equity) value per unit on Valuation Day for which the subscription request and redemption applications are received.

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

Redeemable units

The redeemable units are as equity instruments as they meet certain strict criteria. Those criteria include:

- the redeemable units must entitle the holder to a pro-rata share of net assets;
- the redeemable units must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and

the total expected cash flows from the redeemable units over its life must be based substantially on the profit or loss of the issuer.

Revenue recognition

Trade date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the timeframe generally established by regulation or convention in the market place.

Net gain from investments at FVTPL

Net gain from financial instruments at FVTPL includes all realized and unrealized fair value changes and foreign exchange differences (if any), but excludes interest and dividend income, and dividend expense on securities sold short.

Net realized gain from financial instruments at FVTPL is calculated using the weighted average cost method.

Dividend income

Dividend income is recognized in profit or loss on the date on which the right to receive payment 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 recognized in profit or loss in a separate line item.

Fund management fees

Fund management fees are charged at rates agreed with the Fund Manager. These charges are calculated on each Valuation Day at an annual percentage of the Fund's net assets value. These expenses are charged to statement of comprehensive income.

HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND
(An open-ended mutual fund)
Notes to the interim condensed financial statements (Unaudited)
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(Saudi Arabian Riyal)

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat and income tax

Under the current system of taxation in Kingdom of Saudi Arabia the Fund is not liable to pay any tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the accompanying interim condensed financial statements.

Financial assets and financial liabilities

Policies applicable before 1 January 2018

Investments held for trading

Investments are classified as “held for trading” if they are purchased for the purpose of resale in the short term. Investments held for trading are initially recorded at cost which includes the purchase price plus all expenditures made by the Fund for the purpose of acquiring the securities. Subsequent to initial recognition, investments held for trading are measured at fair value and resulting gains or losses are recognized in the income statements but excluding dividend income which are separately shown in the income statement. Realized gains or losses at disposal and unrealized gains or losses are determined on average cost basis.

Policies applicable from 1 January 2018

Recognition and initial measurement

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets at FVTPL are initially recognized at fair value, with transaction costs recognized in statement of comprehensive income. Financial assets not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Classification

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

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8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual commission revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's managers;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Funds' stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission / Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Fund holds a portfolio of long-term fixed rate investments for which the Fund has no option to propose to revise the interest rate at periodic reset dates. The Fund has determined that the contractual cash flows of these investments are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

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(An open-ended mutual fund)
Notes to the interim condensed financial statements (Unaudited)
For the six-month period ended 30 June 2018
(Saudi Arabian Riyal)

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Fund of similar transactions such as in the Fund's trading activity.

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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market at a mid-price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

9 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and standards are effective for the period beginning on or after 1 January 2019 and earlier application is permitted; however, the Fund has not early applied these new amendments and standard in preparing these interim condensed financial statements as these do not have material impact on the Fund's interim condensed financial statements.

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10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents balance comprise of cash with banks who have investment grade credit ratings, as rated by the international rating agencies.

11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments comprise the following sector exposures as at statement of financial position:

	<i>30 June 2018</i>		<i>31 December 2017</i>		<i>1 January 2017</i>	
	<i>Cost</i>	<i>Market value</i>	<i>Cost</i>	<i>Market value</i>	<i>Cost</i>	<i>Market value</i>
<i>Equities</i>						
Banks	59,122,887	68,230,972	39,271,388	37,747,994	42,645,303	36,905,130
Total	59,122,887	68,230,972	39,271,388	37,747,994	42,645,303	36,905,130

12 NET GAIN / (LOSS) FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2018</i>	<i>2017</i>
Realised gain / (loss)	995,026	(505,735)
Unrealised gain	10,631,478	2,801,949
Total	11,626,504	2,296,214

Realized gain on investments at FVTPL is calculated based on average cost of securities.

13 ACCRUED EXPENSES

Accrued expenses include management fee payable (inclusive of VAT) to Fund Manager & payable against purchase of investment is SAR 905,484 (June 2017: Nil).

14 TRANSACTIONS WITH RELATED PARTIES

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, Fund Board, and administrator of the Fund), Albilad Capital (being custodian of the Fund) 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.

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14 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 1.7% of Net assets value (2017: 1.7% of Net assets value). All Fees and expenses related to the management of the Fund including but not limited to custody, administration, audit, regulatory and index fees, etc., are included in the management fee.

Subscription fee up to 2% is not considered in the financial statement of the fund, as investment to the fund are always net of subscription fees.

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

During the period, the Fund entered into the following transactions with related parties in the ordinary course of business. These transactions were carried out on the basis of approved terms and conditions of the Fund. All related party transactions are approved by the Fund Board.

Related party	Nature of transactions	Amount of transaction during the period		Closing balance	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
HSBC Saudi Arabia (Fund Manager)	Fund management fee	436,439	283,690	116,405	10,605
SABB	Cash and cash equivalents	--	--	985,815	189,557
Fund Board	Board member remuneration	--	--	--	--

As at 30 June 2018, the Fund has invested in SABB, 208,319 shares having market value of SR 6.6 million.

Board member compensation and other expenses during the period has been borne and paid by HSBC Saudi Arabia ("the Fund Manager").

Cash and cash equivalents is deposited in current account maintained with SABB under the name of the Fund Manager (HSBC Saudi Arabia). No interest is receivable on this balance.

15 FINANCIAL RISK MANAGEMENT

The Fund has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk; and
- market risks;

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises of listed equities.

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15 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the Fund Board. In instances where the portfolio has diverged from target asset allocations, the Fund's investment manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

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 is exposed to credit risk on its bank balance. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The table below shows the maximum exposure to credit risk for the component of the balance sheet.

	30 June 2018	31 December 2017
Cash and cash equivalents	985,815	189,557
Receivables and advances	132,627	112,351
<i>Total exposure to credit risk</i>	<u>1,118,442</u>	<u>301,908</u>

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.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities.

The Fund's terms and conditions provide for the subscriptions and redemptions of units twice weekly and it is, therefore exposed to the liquidity risk of meeting Unitholder's redemptions. The Fund's securities are considered to be readily realizable as they are all listed on Saudi equity market.

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.

Market risk

Market Risk is the risk that changes in market prices such as foreign exchange rates and equity prices which 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 investment 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.

Equity price risk

Equity price risk is the risk that the value of equity investments will fluctuate because of changes in the levels of equity indices and the value of individual stocks.

The Fund Manager manages this risk through diversification of its investment portfolio across various sectors of Saudi equity market. Further, the Fund Manager has established risk guidelines to manage equity price risk.

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15 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

The table below sets out the effect on net assets attributable to Unitholders of a reasonably possible weakening / strengthening in the individual equity market prices of 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

	June 2018		June 2017	
<i>Net gain / (loss) on investments held at FVTPL</i>	+ 5%	3,411,549	+ 5%	1,940,023
	- 5%	(3,411,549)	- 5%	(1,940,023)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The Fund is not subject to currency risks as all the assets and liabilities of the Fund are denominated in local currency.

The investment risks of the fund are included in the terms and conditions detailed on the website of the Fund Manager at www.hsbcSaudi.com. The Terms and Conditions do not form part of these interim condensed financial statements.

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

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 principal or the most advantageous market are accessible by the Fund.

Financial instruments comprise financial assets and financial liabilities. The Fund's financial assets consist of financial assets held at FVTPL and cash and cash equivalent.

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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16 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below presents the financial instruments measured at their fair values as of reporting date based on the fair value hierarchy:

		30 June 2018				
		Carrying value	Level 1	Level 2	Level 3	Total
Investments at FVTPL		68,230,972	68,230,972	--	--	68,230,972
Total		68,230,972	68,230,972	--	--	68,230,972

		31 December 2017				
		Carrying value	Level 1	Level 2	Level 3	Total
Investments at FVTPL		37,747,994	37,747,994	--	--	37,747,994
Total		37,747,994	37,747,994	--	--	37,747,994

		1 January 2017				
		Carrying value	Level 1	Level 2	Level 3	Total
Investments at FVTPL		36,905,130	36,905,130	--	--	36,905,130
Total		36,905,130	36,905,130	--	--	36,905,130

During the period, no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

Other financial instruments include items such as, cash and cash equivalents, receivables and advances and accrued expenses. These are short-term financial assets whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

17 LAST VALUATION DAY

The last Valuation Day of the period was 30 June 2018 (2017: 31 December 2017) and the dealing net assets value on this day was SR 19.78 per unit (2017: 15.42). The IFRS net assets value per unit on 30 June 2018 was SR 19.78.

18 EXPLANATION OF TRANSITION TO IFRS

As stated in note 4, these are the Fund's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 8 have been applied in preparing the financial statements for the year ended 31 December 2017 and in the preparation of an opening IFRS statement of financial position as at 1 January 2017 (the Fund's date of transition) except for IFRS 9 as disclosed in note 19.

The transition from previous GAAP i.e. generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by SOCPA to IFRS had no significant impact on the Fund's financial position, comprehensive income, and statement of changes in net assets attributable to Unitholders and cash flows. Hence no separate reconciliation statement is prepared to reconcile the financial position balances from SOCPA to IFRS.

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19 IMPACT OF CHANGE IN ACCOUNTING POLICIES

IFRS 9, Financial Instruments

The Fund has adopted IFRS 9 “Financial Instruments” for the period from 1 January 2018. Based on which the Fund has evaluated the classification and measurement of all its financial instruments under IFRS 9.

As all of Fund’s investments are either held for trading and/or managed or evaluated on a fair value basis, they have remained classified as fair value through profit or loss up to upon adoption of IFRS 9. The adoption of IFRS 9 therefore has not resulted in any change to the classification or measurement of financial instrument in the current period. Hence, no separate reconciliation statement is prepared to reconcile the financial position balances from SOCPA to IFRS 9.

The Fund has opted for the exemption to apply IFRS 9 retrospectively; therefore, the comparative information that would have been required to be presented under IFRS 9 has been presented under the previous GAAP as allowed by IFRS 1 and IFRS 9.

IFRS 15, Revenue from Contracts with Customers

The Fund adopted IFRS 15 ‘Revenue from Contracts with Customers’ resulting in a change in the revenue recognition policy of the Fund in relation to its contracts with customers.

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Fund has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Modified retrospective application also requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at 1 January 2018 in equity.

As at 30 June 2018, the Fund management have assessed that impact of application of IFRS 15 to the Fund’s interim condensed financial statements and no adjustment is required in equity as at 1 January 2018.

20 SUBSEQUENT EVENT

There were no significant post balance sheet events that require disclosure or adjusting of accounts in these interim condensed financial statements.

21 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements are approved by the Fund Board on 15 August 2018 (Corresponding to 4 Dhul Hijjah 1439H).