

**HSBC Multi-Assets Defensive 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 DEFENSIVE FUND (MANAGED BY HSBC SAUDI ARABIA)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC Multi-Assets Defensive 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 Defensive Fund

Interim condensed statement of financial position

As at 30 June 2022

		30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
ASSETS			
Bank balance		6,396,669	799,920
Financial assets at fair value through profit or loss (FVTPL)	5	275,703,653	261,806,829
Financial assets at fair value through other comprehensive income (FVOCI)	6	720,874	759,423
Receivable against sold securities	7	1,836,979	-
Dividend receivables		277,151	237,558
TOTAL ASSETS		284,935,326	263,603,730
LIABILITIES			
Management fee payable	8	7,928	14,925
Redemption payable		5,325,432	247,157
TOTAL LIABILITIES		5,333,360	262,082
EQUITY			
Net assets attributable to unitholders of redeemable units		279,601,966	263,341,648
TOTAL LIABILITIES AND EQUITY		284,935,326	263,603,730
Redeemable units in issue		15,520,022	14,833,620
Net asset value attributable to each per unit		18.02	17.75

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

HSBC Multi-Assets Defensive Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	<i>Notes</i>	<i>30 June</i> 2022 SR	<i>30 June</i> 2021 SR
INCOME			
Net movement in unrealised (loss) gain on financial assets at FVTPL		(8,600,503)	2,463,785
Net realised gain on disposal of financial assets at FVTPL		11,783,411	2,280,133
Dividend income		574,269	782,852
Special commission income from financial assets at FVOCI		20,050	87,125
Net exchange loss		(2375)	(1,967)
Other income		-	419
TOTAL INCOME		3,774,852	5,612,347
EXPENSES			
Management fees	8	744,941	314,163
Impairment charge for expected credit losses		373	850
TOTAL EXPENSES		745,314	315,013
NET INCOME FOR THE PERIOD		3,029,538	5,297,334
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Net movement in unrealised (loss) gain on investments at FVOCI – debt instruments		(38,437)	3,114
Movement in fair value / allowance for expected credit losses on investments at FVOCI		373	850
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(38,064)	3,964
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,991,474	5,301,298

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

HSBC Multi-Assets Defensive 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	263,341,648	109,674,936
Net income for the period	3,029,538	5,297,334
Other comprehensive (loss) income for the period	(38,064)	3,964
Total comprehensive income for the period	2,991,474	5,301,298
Issue of units during the period	101,152,566	45,546,536
Redemption of units during the period	(87,883,722)	(12,570,179)
Net changes from unit transactions	13,268,844	32,976,357
EQUITY AT THE END OF THE PERIOD	279,601,966	147,952,591
	<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	14,833,620	6,695,360
Issue of units during the period	5,516,346	2,696,842
Redemption of units during the period	(4,829,944)	(747,541)
Net changes in units	686,402	1,949,301
UNITS AT THE END OF THE PERIOD	15,520,022	8,644,661

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

HSBC Multi-Assets Defensive 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	3,029,538	5,297,334
<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	8,600,503	(2,463,785)
Provision for expected credit losses	373	850
<i>Working capital adjustments:</i>		
Financial assets at FVTPL	(22,497,327)	(35,583,388)
Financial assets at FVOCI	112	(790,368)
Receivable against sold securities	(1,836,979)	-
Dividend receivables	(39,593)	(161,416)
Management fee payable	(6,997)	10,000
Redemption payable	5,078,275	(301,966)
Net cash flows used in operating activities	<u>(7,672,095)</u>	<u>(33,992,739)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of units	101,152,566	45,546,536
Payment on redemption of units	(87,883,722)	(12,570,179)
Net cash flows from financing activities	<u>13,268,844</u>	<u>32,976,357</u>
INCREASE / (DECREASE) IN BANK BALANCE	5,596,749	(1,016,382)
Bank balance at the beginning of the period	<u>799,920</u>	<u>1,371,745</u>
BANK BALANCE AT THE END OF THE PERIOD	<u>6,396,669</u>	<u>355,363</u>
<u>OPERATIONAL CASH FLOWS FROM DIVIDENDS:</u>		
Dividends received	<u>20,162</u>	<u>83,946</u>

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

HSBC Multi-Assets Defensive Fund

Notes to unaudited interim condensed financial statements

At 30 June 2022

1. INCORPORATION AND ACTIVITIES

HSBC Multi-Assets Defensive 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 Defensive 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 medium to long term capital appreciation with the emphasis on capital preservation and limited exposure to equity markets. The Fund Manager allocates the funds across Shariah compliant securities such as Murabaha transactions, Sukuks and shares 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 regulation requirements related to the fund documentation. 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 to 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 12/7/1442H. Corresponding to 24/2/2021G. The Regulations were further Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12 Rajab 1442H (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 Defensive Fund

Notes to unaudited interim condensed financial statements

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 Defensive 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)			
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain (loss), net SR</i>
<i>Investments in mutual funds</i>				
HSBC Saudi Riyal Trading Fund ART	50.18	137,069,486	138,347,551	1,278,065
HSBC Sukuk Fund	13.02	39,659,631	35,900,541	(3,759,090)
Enhanced Murabaha Fund	9.49	26,050,000	26,155,631	105,631
HSBC Saudi Companies Equity Fund ASF	8.46	22,872,183	23,334,240	462,057
HSBC USD Trading Fund AUT	6.03	14,998,952	16,626,397	1,627,445
HSBC GCC Equity Fund GCF ACC	5.38	11,686,174	14,845,098	3,158,924
HSBC Global Equity Index Fund AEF	4.88	13,126,061	13,464,088	338,027
Alahli Emerging Markets Index Fund	2.56	8,888,626	7,030,107	(1,858,519)
Total	100.0	274,351,113	275,703,653	1,352,540

	31 December 2021 (Audited)			
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain (loss), net SR</i>
<i>Investments in mutual funds</i>				
HSBC Saudi Riyal Trading Fund	48.57	126,282,374	127,171,849	889,475
HSBC Sukuk Fund	14.54	39,659,631	38,054,399	(1,605,232)
HSBC Global Equity Index Fund	7.35	14,448,556	19,236,040	4,787,484
HSBC Saudi Companies Equity Fund	6.44	16,600,000	16,854,589	254,589
HSBC USD Trading Fund	6.34	14,998,952	16,588,326	1,589,374
HSBC Saudi Free Style Equity Fund	5.83	13,331,513	15,255,952	1,924,439
HSBC GCC Equity Fund	4.99	10,354,511	13,057,793	2,703,282
SNB Capital Emerging Markets Index Fund	3.60	10,028,249	9,428,559	(599,690)
Enhanced Murabaha Fund	2.34	6,150,000	6,159,322	9,322
Total	100.0	251,853,786	261,806,829	9,953,043

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	717,179	755,616
Accrued special income	3,695	3,807
	720,874	759,423

HSBC Multi-Assets Defensive 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 average special commission rate on investments as at the end of June 2022 is 5.375% p.a. (31 December 2021: 5.375% p.a.). The above debt securities are redeemable at par Sukuk investments.

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	8,820	1,309
Provision for the period	373	850
Balance at the end of the period	<u>9,193</u>	<u>2,159</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. RECEIVABLES AGAINST SOLD SECURITIES

Receivables against sold securities represents the receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

8. 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, 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 Fund Manager and 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 (including VAT)	744,941	314,163	7,928	14,925
	Bank balances			6,396,669	799,920

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 fee is intended to compensate the Fund Manager for administration of the Fund.

The units in issue at 30 June 2022 include 39,361 units held by the employees of the Fund Manager (31 December 2021: 3,535 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 242,517,915 (31 December 2021: SR 246,218,948) in other funds managed by the Fund Manager.

HSBC Multi-Assets Defensive Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

8. TRANSACTIONS WITH RELATED PARTIES (continued)

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 (“the Fund Manager”).

9. 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.

10. 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	6,396,669	-	6,396,669
Financial assets at fair value through profit or loss (FVTPL)	275,703,653	-	275,703,653
Financial assets at fair value through other comprehensive income (FVOCI)	-	720,874	720,874
Receivable against sold securities	1,836,979	-	1,836,979
Dividend receivables	277,151	-	277,151
TOTAL ASSETS	284,214,452	720,874	284,935,326
LIABILITIES			
Management fee payable	7,928	-	7,928
Redemption payable	5,325,432	-	5,325,432
TOTAL LIABILITIES	5,333,360	-	5,333,360
<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	799,920	-	799,920
Financial assets at fair value through profit or loss (FVTPL)	261,806,829	-	261,806,829
Financial assets at fair value through other comprehensive income (FVOCI)	-	759,423	759,423
Dividend receivables	237,558	-	237,558
TOTAL ASSETS	262,844,307	759,423	263,603,730
LIABILITIES			
Management fee payable	14,925	-	14,925
Redemption payable	247,157	-	247,157
TOTAL LIABILITIES	262,082	-	262,082

HSBC Multi-Assets Defensive Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

11. LAST VALUATION DAY

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

12. SIGNIFICANT EVENT

As the COVID-19 pandemic continues, Government is constantly taking measures to address public health issues and the economic impact. Accordingly, the Fund'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.

13. 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).