

## **Annual Report**

### **-HSBC Saudi Industrial Companies Equity Fund- 2020**

**\* FUND REPORTS ARE AVAILABLE UPON REQUEST FREE OF CHARGE**



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## 1. Management Information

A.	<b>Fund name</b>	(HSBC Saudi Industrial Companies Equity Fund)
B.	<b>Fund Manager</b>	
	<b>Name:</b>	HSBC Saudi Arabia
	<b>Address:</b>	HSBC Building 7267, Olaya Street (Al-Murooj District) Riyadh 12283-2255, Kingdom of Saudi Arabia. Phone: 920022688 Fax: +96612992385 Website: <a href="http://www.hsbcSaudi.com">www.hsbcSaudi.com</a>
C.	<b>Fund Sub-Manager (if any)</b>	
	<b>Name:</b>	None
	<b>Address:</b>	
D.	<b>Fund Advisor (if any)</b>	
	<b>Name:</b>	None
	<b>Address:</b>	
E.	<b>Custodian</b>	
	<b>Name:</b>	Albilad Capital
	<b>Address:</b>	Albilad Capital, Main Office King Fahd Road P.O.Box 140, Riyadh 11411 Kingdom of Saudi Arabia. Phone: 920003636 Fax: 966112906299 Website: <a href="http://www.albilad-capital.com">www.albilad-capital.com</a>
	<b>Responsibilities</b>	<ul style="list-style-type: none"><li>• Safeguarding the Fund's assets</li><li>• Safeguarding all necessary documents that support the performance of its contractual obligations towards the fund.</li><li>• Depositing the Return cash amounts of the Fund in the account of the fund.</li><li>• Managing the cash transaction of the Fund, including deducting the investment amounts and the expenses of the Fund according to Terms and Conditions of the Fund</li><li>• The custodian shall be liable for holding and safeguarding the Fund's assets for the benefit of unit holders</li></ul>
F.	<b>Certified Accountant</b>	
	<b>Name</b>	KPMG Al Fawzan & Al Sadhan Company
	<b>Address</b>	KPMG Building, Salahuddin Al Ayoubi Road P.O.Box 92876 Riyadh 11663 Kingdom of Saudi Arabia Tel .: +96612914350

## 2. Fund Information

### A. Investment objectives and policies

The Fund is an open investment fund aiming to achieve capital growth in the medium to long term through investing in portfolio consisting of shares of industrial companies listed on the Saudi stock market and in compliance with Shariah standards and approved by the Fund's Oversight Committee. The Fund Manager can also invest extra cash flows in the Fund in short-term cash instruments that are compatible with Shariah standards in order to improve the Fund's Returns. The Fund will fully comply with investment instructions, if any, issued by the Fund Board as well as Sharia standards issued by the Fund's Oversight Committee. The Fund's performance is measured against the performance of the HSBC Saudi Industrial Shariah Index.

### B. Policy of Income and Profit Distribution

Profits will not be distributed, but will be added to the Fund assets so that income and profits are reinvested to increase the unit price.

### C. Fund performance

#### • Fund Performance during the Past Three Years (SAR)

	2018	2019	2020
Net assets value of the Fund as at the end of the year	108,922,063	109,685,846	117,925,793
Net holdings value of the unit as at the end of the year	7.7414	8.0975	8.9201
Highest holdings value of the unit	9.3489	9.0362	9.0334
Lowest holdings value of the unit	7.6386	7.3196	6.0934
Number of units issued at the end of the year	14,070,076	13,545,590	13,220,225
Distributed profits value for each unit (if any)	-	-	-
Expenses rates	1.86%	1.86%	2.05%

#### • Fund Returns

	One year			Three years			Five years			
Fund Return	10.16%			12.07%			16.80%			
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fund Return	-3.85%	6.74%	34.27%	-8.98%	-21.74%	2.10%	2.08%	-2.74%	4.60%	10.16%

- **Value of Services and Commissions**

<b>Type of expenses or commission (Including VAT if applicable)</b>	<b>Value in SAR</b>	<b>Rate of Fund assets average</b>
Subscription fees	7,844.00	Up to 2 % of subscription fees
Fund management fees	1,997,102.65	1.874%
Custodian fees	43,125.55	0.040%
Administrative services fees	58,738.38	0.055%
Certified Accountant fees	33,000	0.031%
Independent board members compensations	20,000	0.019%
Regulatory fees	7,500	0.007%
Index license fees	14,850	0.014%
Borrowing fees	-	-
Sharia purification fees	14,770.34	0.0139%

**D. Any Material Changes Affect Fund Performance**

No material changes affected Fund performance during the year 2020.

**E. Any changes to the Fund terms and conditions during the period**

<b>Date</b>	<b>Fund name</b>	<b>Change</b>
11 Mar 2020G	HSBC Saudi Industrial Companies Equity Fund	– Adding Areej Almokbel to the board of directors of the fund
21 May 2020G	HSBC Saudi Industrial Companies Equity Fund	– Removing Areej Almokbel from the board of directors of the fund
28 Oct 2020G	HSBC Saudi Industrial Companies Equity Fund	– Adding the right issues to the investment universe of the fund

**F. Any Pricing or Evaluation Errors during the Period**

None.

### **3. Fund Manager**

#### **A. Investment Activities of the Period**

In 2020, ISF increased its exposure to energy sector, medicine sector, basic materials sector and commercial and professional services sector. However, ISF reduced its possession in consumption services sector.

#### **B. Irregularities of Investment Restrictions**

None.

#### **C. Report on the Performance of Investment Fund during the Period**

At economic level and at the Saudi equity market level, 2020 was an exceptional year. After the decline of Tadawul All Share Index "TASI" to its lowest level at 5,959.7 in mid-March 2020 of 40.30% since the beginning of the year, caused by the negative economic effects of Coronavirus (COVID-19) outbreak worldwide and the precautionary measures taken by the governments to curb the outbreak of virus, TASI closed 2020 at the point 8,689.5 increasing by 45.80% from its lowest level during the year and 3.96% for 2020 due to many factors. The most important factors are the cash and financial stimulus packages provided by many states, decline of interest rates globally, improvement of oil prices based on OPEC Plus Agreement and optimism of return of global economies level to pre-Coronavirus crisis, after a number of global pharmaceuticals successfully produced effective vaccines against the virus.

Shariah compliant HSBC Saudi Industrial Companies Index closed 2020 by increase of 10.16% urged by crucial improvement of prices and margins of petrochemicals in the second half of the year. Meanwhile, the food and beverages sector achieved positive performance as well for the sector's utilization of high demand on foodstuff during the curfew periods. Building and construction sector performance was positive for the sector's utilization of solid demand by the residential projects at all KSA regions level.

ISF earned positive return of 10.16% while the indicative index earned positive return of 12.26%.

#### **D. Any Additional Information that Might Enable Unit Holders to Make Informed Decisions that are Based on Sufficient Information about the Fund during the Period**

There is no additional information to be disclosed except what is stated in this report, in addition to Fund's Terms and Conditions, and the Fund's financial statements. However, investors need to read and understand the Fund's Terms and Conditions and all related documents and/or obtain advice from their own legal, tax, and/or investment advisors before taking any investment decision.

**E. Percentage of Management Fees Calculated on the Fund itself and other funds that the Fund is investing in (if the fund is substantially investing in other investment funds)**

Funds	Fees
<b>Local equity funds</b>	
HSBC Saudi Construction and Cement Companies Equity Fund	%1.70

**F. Special commissions received by the Fund manager during the period**

The Fund Manager receives reports and research issued by the broker through which operations are executed and made available to all broker clients, in addition to arranging meetings with the listed companies upon the request of the Fund manager to meet them.

**G. Investment of Fund Manager or any Counterparty in the Fund**

Neither the Fund Manager nor any counterparty invests in this Fund.

**H. Annual voting practices**

Oasis General Assembly 19-4-2020G				
Subject of Voting		HSBC Vote		
		Agree	Disagree	Abstained
1	Voting on the Board of Directors' report for the fiscal year ending on 31-12-2019G	x		
2	Voting on the Company's auditor's report for the fiscal year ending on 31/12/2019G	x		
3	Voting on the financial statements for the fiscal year ending 31/12/2019G	x		
4	Voting on the appointment of the Company auditor from among candidates based on the audit committee recommendation, in order to examine, review and audit the Q2, Q3, Q4 and annual financial statements of the fiscal year 2020G and the first quarter of the fiscal year 2021 G, and determining their fees.	x		
5	Voting on the Company's board of directors' recommendation to distribute cash dividends for the second half of 2019G, at the rate of seventy-five (75) Halalas for each share, which represents 7.5% of the nominal value of the share and a total of 11,250,000 Saudi Riyals, representing 7.5% of the capital, to the shareholders of the Company provided that the shareholders who own shares at the end of the trading day of the assembly and are registered in the company's shareholders 'register with the depository center company at the end of the second trading day following the maturity date shall have right of pre-emption, and the dividend distribution date will be announced later.	x		
6	Voting on the business and contracts that will be concluded between the Company and Hana Food Industries, in which the member of the Board of Directors Mr. Ahmed Hammoud Ibrahim Al-Dhiab has a direct and indirect interest namely the sale of finished goods and products represented in mini plastic bottles (preforms) and plastic caps of flasks of different sizes and different weights, selling and buying raw materials and packaging for a year without preferential terms. Value of the transaction during the year 2019G amounted to 95,730,068 Saudi Riyals as sales and 1,773,334 Saudi Riyals as purchases.	x		

7	Voting on the business and contracts that will be concluded between the Company and Hana Food Industries, in which the member of the Board of Directors Mr. Ahmed Hammoud Ibrahim Al-Dhiab has a direct and indirect interest namely the sale of finished goods and products represented in mini plastic bottles (preforms) and plastic caps of flasks of different sizes and different weights, selling and buying raw materials and packaging for a year without preferential terms at a value of 100,000,000 Saudi Riyals.	x		
8	Voting on absolving the members of the Board of Directors from liability for the fiscal year ending on December 31, 2019.	x		
9	Voting on amending the company's corporate governance regulation.	x		
10	Vote on disbursing an amount of 300,000 Saudi Riyals as a bonus for independent members of the Board of Directors for the fiscal year ending on December 31 2019G.	x		
11	Voting on authorizing the Board of Directors to distribute semi-annual or quarterly interim dividends for the fiscal year 2020G.	x		
12	Voting on authorizing the Board of Directors with licensing powers entrusted to Ordinary General Assembly as mentioned in paragraph (1) of Article 71 of the Companies Law, for a period of one year as of the date of approval of the General Assembly or until the end of the authorized Board of Directors' term, whichever is earlier, in accordance with the conditions mentioned in the regulations and regulatory procedures issued in implementation of the Companies Law for Listed Joint Stock Companies.	x		

#### I. Cases of Conflict of Interests Approved by the Fund Board

All conflict cases related to the Fund's daily management were regularly submitted to the Fund Board. No conflict cases are managed by HSBC Saudi Arabia.

#### J. Fund Board Annual report

Subject		Approval Details	Meeting Date
<b>Selection of Financial Auditor</b>		The Fund Board approved to continue with KPMG as the Financial Auditor for Mutual Funds due to difficulties in changing the auditor in light of COVID situation.	23 April 2020 (through email circulation)
<b>Unitholder Meeting Policy</b>		The Fund Board approved the unitholder meeting policy for the public funds.	1 June 2020



#### **4. Custodian Statement**

The statement is based on the Custodian's opinion on whether the Fund manager has carried out the following:

- Issuance, transfer, and redemption of units according to the Investment Fund Regulation and the Fund's Terms and Conditions.
- Evaluation and calculation of unit price according to the Investment Fund Regulation and the Fund's Terms and Conditions.
- Violation of any of investment restrictions, investment limits, and borrowing powers that are applied on the Investment Funds' regulation.

None, the responsibilities assigned to the custodian does not include the opinion thereof.

#### **5. Certified Accountant Statement**

The statement is based on Certified Accountant's opinion as follows:

- The financial statements are prepared and audited according to accounting standards issued by Saudi Organization for Certified Public Accountants ("SOCPA"), provisions of Investment Fund Regulation, and the Fund's Terms and Conditions.

Anne2 x is affixed on page 2 of the Fund's financial statements- the opinion of the Certified Accountant.

- The financial statements are fair and true for the net income, net profits, loses of the investment Fund for the accounting period of such statements. Not applicable.

The responsibilities assigned to the Certified Accountant do not include the opinion thereof.

- The financial statements are true and fair for the financial position of the investment Fund at the end of the period.

Annex2 is affixed on page 2 of the Fund's financial statements- the opinion of the Certified Accountant.

**HSBC SAUDI INDUSTRIAL COMPANIES EQUITY FUND**  
**(An open-ended mutual fund)**  
**Managed by HSBC Saudi Arabia**  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**together with the**  
**INDEPENDENT AUDITOR'S REPORT**

**HSBC SAUDI INDUSTRIAL COMPANIES EQUITY FUND**  
**(An open-ended mutual fund)**  
**Managed by HSBC Saudi Arabia**  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**

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## KPMG Professional Services

Riyadh Front, Airport road  
P O Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Headquarter

Commercial Registration No 1010425494

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

# Independent auditor's report

To the unitholders of HSBC Saudi Industrial Companies Equity Fund

## Opinion

We have audited the financial statements of HSBC Saudi Industrial Companies Equity Fund ("the Fund"), managed by HSBC Saudi Arabia ("the Fund Manager"), which comprise of the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in net assets (equity) attributable to the unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

## Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the Fund Manager and those charged with governance for the financial statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and compliance with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority, the Fund's Terms and Conditions and the Information Memorandum and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, is responsible for overseeing the Fund's financial reporting process.



## Independent auditor's report

To the unitholders of HSBC Saudi Industrial Companies Equity Fund (continued)

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of the Fund.

### KPMG Professional Services



**Hani Hamzah A. Bedairi**  
License no. 460

Riyadh: 26 Sha'ban 1442H  
Corresponding to: 8 April 2021



**HSBC SAUDI INDUSTRIAL COMPANIES EQUITY FUND**  
**(An open-ended mutual fund)**  
**Managed by HSBC Saudi Arabia**  
**Statement of financial position**  
**As at 31 December 2020**  
(Amounts in Saudi Arabian Riyal)

	<i>Note</i>	<i>As at 31 December 2020</i>	<i>As at 31 December 2019</i>
<b>Assets</b>			
Cash at bank	<i>10</i>	<b>838,544</b>	10,137,549
Investments at fair value through profit or loss (FVTPL)	<i>11</i>	<b>115,156,978</b>	99,699,400
Receivables and advances		<b>2,032,603</b>	--
<b>Total assets</b>		<b>118,028,125</b>	109,836,949
<b>Liabilities</b>			
Accrued expenses	<i>13</i>	<b>102,331</b>	151,103
<b>Total liabilities</b>		<b>102,331</b>	151,103
<b>Net assets (equity) attributable to the unitholders</b>		<b>117,925,794</b>	109,685,846
Units in issue (numbers)		<b>13,220,225</b>	13,545,590
Net assets (equity) value per unit – Dealing	<i>17</i>	<b>8.92</b>	8.10
Net assets (equity) value per unit - IFRS	<i>17</i>	<b>8.92</b>	8.10

The accompanying notes 1 to 20 form integral part of the financial statements.

**HSBC SAUDI INDUSTRIAL COMPANIES EQUITY FUND**  
**(An open-ended mutual fund)**  
**Managed by HSBC Saudi Arabia**  
**Statement of comprehensive income**  
**For the year ended 31 December**  
(Amounts in Saudi Arabian Riyal)

		<i>For the year ended</i>	
		<i>31 December</i>	
	<i>Note</i>	<u>2020</u>	<u>2019</u>
<b>Investment income</b>			
Net gain from investments at FVTPL	12	10,326,714	3,726,235
Dividend income		<u>2,745,438</u>	<u>3,505,206</u>
<b>Total investment income</b>		<b>13,072,152</b>	<b>7,231,441</b>
<b>Expenses</b>			
Management fees	14	1,997,103	2,011,293
Other expenses		<u>203,483</u>	<u>88,129</u>
<b>Total expenses</b>		<b>2,200,586</b>	<b>2,099,422</b>
<b>Net income for the year</b>		<u><b>10,871,566</b></u>	<u><b>5,132,019</b></u>
Other comprehensive income for the year		--	--
<b>Total comprehensive income for the year</b>		<u><b>10,871,566</b></u>	<u><b>5,132,019</b></u>

The accompanying notes 1 to 20 form an integral part of the financial statements.

**HSBC SAUDI INDUSTRIAL COMPANIES EQUITY FUND**  
**(An open-ended mutual fund)**  
**Managed by HSBC Saudi Arabia**  
**Statement of changes in net assets (equity) attributable to unitholders**  
**For the year ended 31 December**  
(Amounts in Saudi Arabian Riyal)

	<i>For the year ended 31</i>	
	<i>December</i>	
	<u>2020</u>	<u>2019</u>
<b>Net assets (equity) attributable to unitholders at the beginning of the year</b>	<b>109,685,846</b>	108,922,063
<b>Net income for the year</b>	<b>10,871,566</b>	5,132,019
<b>Contributions and redemptions by the Unitholders:</b>		
Proceeds from issuance of units	<b>773,015</b>	1,882,037
Payments for redemption of units	<b>(3,404,633)</b>	(6,250,273)
<b>Net change from unit transactions</b>	<b>(2,631,618)</b>	(4,368,236)
<b>Net assets (equity) attributable to the unitholders at the end of the year</b>	<b>117,925,794</b>	109,685,846

**UNIT TRANSACTIONS:**

Transactions in units for the year ended 31 December are summarized as follows:

	<i>For the year ended 31</i>	
	<i>December</i>	
	<u>2020</u>	<u>2019</u>
	<i>(In numbers)</i>	
<b>Units at the beginning of the year</b>	<b>13,545,590</b>	14,070,076
Units issued during the year	<b>88,793</b>	224,072
Units redeemed during the year	<b>(414,158)</b>	(748,558)
Net change in units	<b>(325,365)</b>	(524,486)
<b>Units at the end of the year</b>	<b>13,220,225</b>	13,545,590

The accompanying notes 1 to 20 form an integral part of the financial statements.



**HSBC SAUDI INDUSTRIAL COMPANIES EQUITY FUND**  
**(An open-ended mutual fund)**  
**Managed by HSBC Saudi Arabia**  
**Statement of cash flows**  
**For the year ended 31 December**  
(Amounts in Saudi Arabian Riyal)

	<i>Note</i>	<i>For the year ended 31 December</i>	
		<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>			
Net income for the year		<b>10,871,566</b>	5,132,019
<i>Adjustment for:</i>			
Unrealized (gain) on investments at FVTPL	12	<u>(8,050,173)</u>	<u>(3,047,011)</u>
		<b>2,821,393</b>	2,085,008
<b>Net changes in operating assets and liabilities</b>			
(Increase) / decrease in investments at FVTPL		<b>(7,407,405)</b>	11,550,999
(Increase) / decrease in receivables and advances		<b>(2,051,372)</b>	182,078
Decrease in accrued expenses		<b>(30,003)</b>	<u>(68,128)</u>
<b>Net cash (used in) / generated from operating activities</b>		<b>(6,667,387)</b>	13,749,957
<b>Cash flows from financing activities</b>			
Proceeds from issuance of units		<b>773,015</b>	1,882,037
Payments for redemption of units		<b>(3,404,633)</b>	<u>(6,250,273)</u>
<b>Net cash used in from financing activities</b>		<b>(2,631,618)</b>	<u>(4,368,236)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(9,299,005)</b>	9,381,721
Cash and cash equivalents at the beginning of the year		<b>10,137,549</b>	755,828
<b>Cash and cash equivalents at the end of the year</b>		<b><u>838,544</u></b>	<u>10,137,549</u>

The accompanying notes 1 to 20 form an integral part of the financial statements.

## **HSBC SAUDI INDUSTRIAL COMPANIES EQUITY FUND**

**(An open-ended mutual fund)**

**Managed by HSBC Saudi Arabia**

**Notes to the financial statements**

**For the year ended 31 December 2020**

(Amounts in Saudi Arabian Riyal)

### **1 GENERAL**

HSBC Saudi Industrial Companies Equity 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 achieve capital appreciation over the medium to long-term by investing in sharia compliant equities listed on Tadawul (Saudi Stock Market) and categorised under petrochemical, industrial investment, building and construction, and agriculture and food manufacturing sectors.

The Fund is managed by the Fund Manager who also acts as the administrator of the Fund. Albilad 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 in the Terms and Conditions relates to the enhancement of investment objectives. The Fund updated its terms and conditions which were approved by the CMA on 11 Rabi Al-Awwal 1442H (corresponding to 28 October 2020).

### **2 REGULATING AUTHORITY**

The Fund is governed by the Investment Fund Regulations (“the Regulations”) issued by the Capital Market Authority (“the CMA”).

### **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**

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and to comply with the applicable provisions of the Investment Fund Regulations issued by the Capital Market Authority, the Fund’s Terms and Conditions and the Information Memorandum.

### **5 FUNCTIONAL AND PRESENTATION CURRENCY**

The financial statements are presented in Saudi Arabian Riyals (“SAR”) which is also the functional currency of the Fund.

**HSBC SAUDI INDUSTRIAL COMPANIES EQUITY FUND**  
**(An open-ended mutual fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**  
(Amounts in Saudi Arabian Riyal)

**6 BASIS OF MEASUREMENT**

The financial statements have been prepared on a historical cost basis, (except for investments at fair value through profit or loss (FVTPL) which are stated at their fair value) using 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 resources to continue in business for a 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 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 JUDGEMENTS AND ESTIMATES**

Preparation of the financial statements in accordance 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 judgement 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.

The Fund manager was not required to make any significant judgements, estimates and assumptions in preparation of these financial statements.

**8 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

***Net Asset (Equity) Value***

Net assets (equity) value per unit, as disclosed in the statement of financial position is calculated by dividing the net assets attributable to the Unitholders by the numbers of units in issue at the year end.

***Trade date accounting***

All 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 marketplace.

***Subscription and redemption of units***

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

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**8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Revenue from contracts with customers*

The Fund recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Fund. The revenue is recognised when (or as) each performance obligation is satisfied.

*Net gain from financial instruments at FVTPL*

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences (if any).

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

*Dividend income*

Dividend income is recognised in the statement of comprehensive income 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 recognised in statement of comprehensive income in a separate line item.

*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 the statement of comprehensive income.

*Zakat and tax*

Under the current system of zakat and income tax in the Kingdom of Saudi Arabia, the Fund is not paying any zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the accompanying financial statements.

The Value Added Tax (VAT) applicable for fees and expenses are recognized in the statement of comprehensive income.

*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 closing day price, because this price provides a reasonable approximation of the exit price.

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**8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fair value measurement (continued)*

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise 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 year during which the change has occurred.

*Financial assets and financial liabilities*

*Recognition and initial measurement*

Financial assets and financial liabilities at FVTPL are initially recognised 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 recognised on the date on which they are originated.

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

*Classification of financial assets*

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).

*Financial asset at amortized cost*

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 financial assets in order 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.

*Financial asset at fair value through other comprehensive income ("FVOCI")*

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms 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 OCI. This election is made on an investment-by-investment basis.

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**8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Financial assets and financial liabilities (continued)*

Financial asset at fair value through profit or loss ("FVTPL")

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Fund Manager 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 realising 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 Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

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.

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**8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Financial assets and financial liabilities (continued)*

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.

Classification of financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL.

Derecognition

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.

The Fund derecognize a financial liability when contractual obligations are discharged, cancelled, or expire.

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 offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

*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.

*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.

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**9. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD**

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2020 and accordingly adopted by the Fund, as applicable:

<i>Standard / Amendments</i>	<i>Description</i>
Amendments to IFRS 3	Definition of business
Amendments to IAS 1 and IAS 8	Definition of material
Amendments to References to the Conceptual Framework in IFRS standards	Conceptual Framework in IFRS standards
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform – Phase 1

The adoption of the above standard / amendments and interpretations did not have any significant impact on these financial statements.

*Standards issued but not yet effective*

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund intends to adopt these standards when they become effective and material impacts from the adoption of these standards are not expected.

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IFRS 16	COVID 19 – Related rent concessions	1 June 2021
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform – Phase 2	1 January 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceed before intended use	1 January 2022
Amendments to IFRS 3	Reference to conceptual framework	1 January 2022



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**10. CASH AT BANK**

Cash at bank comprise of balances with banks which have investment grade credit ratings, as rated by the international rating agencies.

**11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The exposure of the trading investments as at 31 December is as follows:

	<i>As at 31 December 2020</i>		<i>As at 31 December 2019</i>	
	<i>Cost</i>	<i>Fair value</i>	<i>Cost</i>	<i>Fair value</i>
<i>Equities</i>				
Materials	49,203,824	57,981,718	47,306,111	51,825,069
Food & Beverage	20,553,602	27,331,982	26,051,026	28,246,273
Energy	15,844,411	16,590,595	2,972,288	3,274,160
Capital Goods	7,026,391	6,186,657	7,026,391	6,186,657
Pharma, Biotech & Life Science	3,250,613	3,678,175	--	--
Commercial & Professional Svs	3,491,391	3,387,851	--	--
Consumer Services			4,607,011	4,410,327
<i>Mutual Funds</i>				
HSBC Saudi Construction & Cement Companies Equity Fund	--	--	4,000,000	5,756,914
<b>Total</b>	<b>99,370,232</b>	<b>115,156,978</b>	<b>91,962,827</b>	<b>99,699,400</b>

**12. NET GAIN FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<i>For the year ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
Realized gains for the year	2,276,541	679,224
Unrealized gains for the year	8,050,173	3,047,011
<b>Total</b>	<b>10,326,714</b>	<b>3,726,235</b>

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

**13. ACCRUED EXPENSES**

Accrued expenses include management fee payable (inclusive of VAT) to the Fund Manager.

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**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, 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.

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 1.70% of Net assets value (2019: 1.70% of Net assets value).

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. The Fund does not charge any redemption fees on redemption of units.

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

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the year</u>		<u>Closing balance as at 31 December</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
HSBC Saudi Arabia (Fund Manager)	Fund management fee	<b>1,997,103</b>	2,011,293	<b>19,018</b>	32,108
	Administration fee	<b>58,738</b>	28,383	<b>5,711</b>	5,188
	Board member fee	<b>20,000</b>	10,082	<b>16,118</b>	6,959
SABB	Cash at bank	--	--	<b>4,885</b>	--

No special commission is accrued against the cash balances in the respective bank accounts with the related parties.

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**15. FINANCIAL RISK MANAGEMENT**

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

- credit risk;
- liquidity risk; and
- market risk.

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.

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 Investment Committee of the Fund. In instances where the portfolio has diverged from target asset allocations, the Fund 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 a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

The Fund is exposed to credit risk on its bank balances and receivables. For risk management reporting purposes, the Fund considers external credit ratings from the reputed credit rating agencies.

The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet certain credit standards.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund Board.

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For all of transactions, the Fund mitigates this risk by conducting settlements through a regulated broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

The table below shows the maximum exposure to credit risk for the component of the statement of financial position:

	<i>As at 31 December 2020</i>	<i>As at 31 December 2019</i>
Cash at bank	<b>838,544</b>	10,137,549
Receivables and advances	<b>2,032,603</b>	--
<b>Total exposure to credit risk</b>	<b>2,871,147</b>	10,137,549

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**15. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Credit risk (continued)*

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 counterparties.

Analysis of credit quality

The Fund's cash is held with SABB and Bank AlBilad which are rated A1 and A3 (2019: A1 and A2) respectively, based on Moody's ratings. Receivables and advances are usually related to the settlements of trades and issuance of the Fund's units in a normal course and does not carry credit risk.

Allowance for expected credit losses

Financial instruments such as cash and cash equivalents and receivables are of short term in nature and have limited credit exposure. Therefore, no allowance for expected credit losses is provided in these financial statements.

*Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions. However the Fund is allowed to borrow in order to satisfy redemptions. The Fund's securities are considered to be readily realizable as they are all listed. 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 interest rates, foreign exchange rates and equity prices – 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 objectives as per the 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.

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](http://www.hsbcSaudi.com). The Terms and Conditions do not form part of the financial statements.

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**15. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Market risk (continued)*

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Fund's investments are susceptible to equity price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of industry concentration.

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.

	<i>As at 31 December 2020</i>		<i>As at 31 December 2019</i>	
<i>Net gain / (loss) on investments held at</i>	<i>+ 5%</i>	<b>5,757,849</b>	<i>+ 5%</i>	4,984,970
<i>FVTPL</i>	<i>- 5%</i>	<b>(5,757,849)</b>	<i>- 5%</i>	(4,984,970)

**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

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 market price, because this price reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise 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 transfer between levels of fair value at the end of the reporting period during which the change has occurred.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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**16. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

*Fair value hierarchy – Financial instruments measured at fair value*

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position.

	Carrying value	As at 31 December 2020			Total
		Level 1	Level 2	Level 3	
Investments at FVTPL	115,156,978	115,156,978	--	--	115,156,978
<b>Total</b>	<b>115,156,978</b>	<b>115,156,978</b>	<b>--</b>	<b>--</b>	<b>115,156,978</b>

  

	Carrying value	As at 31 December 2019			Total
		Level 1	Level 2	Level 3	
Investments at FVTPL	99,699,400	93,942,486	5,756,914	--	99,699,400
<b>Total</b>	<b>99,699,400</b>	<b>93,942,486</b>	<b>5,756,914</b>	<b>--</b>	<b>99,699,400</b>

During the year, there has been no transfer in fair value hierarchy for the financial assets held at FVTPL.

Other financial instruments such as receivables and accrued expenses are financial assets and financial liabilities 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 year was 31 December 2020 (2019: 31 December 2019) and the dealing net assets value on this day was SR 8.92 per unit (2019: SR 8.10). The IFRS net assets value per unit on 31 December 2020 was SR 8.92 (31 December 2019: SR 8.10).

**18. COVID – 19**

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a “third wave” of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government. Recently, a number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved multiple vaccines and has begun administering it to the general public.

The Fund Manager however continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time. The Fund Manager continues to monitor the ongoing situation closely albeit the pandemic did not have a significant impact on the financial performance of the Fund during 2020.

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**19. SUBSEQUENT EVENT**

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

There were no other subsequent events after the statement of financial position date which require adjustments to/or disclosure in the financial statements.

**20. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Fund Board on 25 Sha'ban 1442H (corresponding to 7 April 2021).