

**HSBC Saudi Freestyle Equity 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 2021



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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF HSBC SAUDI FREESTYLE EQUITY FUND (MANAGED BY HSBC SAUDI ARABIA)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC Saudi Freestyle Equity Fund (the "Fund") managed by HSBC Saudi Arabia (the "Fund Manager") as at 30 June 2021, 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 2021, 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other Matter

The financial statements of the Fund for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 8 April 2021. Further, the interim condensed financial statements of the Fund for the six months period ended 30 June 2020 were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed financial statements on 24 August 2020.

For Ernst & Young


Saad M. Al-Khathlan
Certified Public Accountant
License No. 509

Riyadh: 7 Muharram 1443H
(15 August 2021)



HSBC Saudi Freestyle Equity Fund

Interim condensed statement of financial position

As at 30 June 2021

	<i>Note</i>	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
ASSETS			
Bank balance		29,520,518	10,132,098
Financial assets at fair value through profit or loss (FVTPL)	4	427,224,131	302,669,003
Receivables and advances		2,283,750	4,785,184
TOTAL ASSETS		459,028,399	317,586,285
LIABILITIES			
Management fee payable	5	164,508	51,129
Accrued expenses and other payables	6	17,622,036	358,974
TOTAL LIABILITIES		17,786,544	410,103
EQUITY			
Net assets attributable to unitholders of redeemable units		441,241,855	317,176,182
TOTAL LIABILITIES AND EQUITY		459,028,399	317,586,285
Redeemable units in issue		13,592,178	12,807,099
Net asset value attributable to each per unit		32.46	24.77

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

HSBC Saudi Freestyle Equity Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2021

	<i>Note</i>	<i>30 June 2021 SR</i>	<i>30 June 2020 SR</i>
INCOME			
Net unrealized gain / (loss) on financial assets at FVTPL		35,624,499	(33,381,214)
Net realized gain on disposal of financial assets at FVTPL		59,981,263	15,418,429
Dividend income		4,994,193	4,463,488
Other income		5,413	-
TOTAL INCOME / (LOSS)		100,605,368	(13,499,297)
EXPENSES			
Management fees	5	3,475,477	2,539,651
Other expenses	7	214,467	208,567
TOTAL EXPENSES		3,689,944	2,748,218
NET INCOME / (LOSS) FOR THE PERIOD		96,915,424	(16,247,515)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		96,915,424	(16,247,515)

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

HSBC Saudi Freestyle Equity Fund

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

For the six-month period ended 30 June 2021

	2021 SR	2020 SR
EQUITY AT THE BEGINNING OF THE PERIOD	317,176,182	324,700,450
Net income / (loss) for the period	96,915,424	(16,247,515)
Other comprehensive income for the period	-	-
Total comprehensive income / (loss) for the period	96,915,424	(16,247,515)
Issue of units during the period	80,268,588	24,148,441
Redemption of units during the period	(53,118,339)	(42,977,896)
Net changes	27,150,249	(18,829,455)
EQUITY AT THE END OF THE PERIOD	441,241,855	289,623,480

	<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	12,807,099	14,700,798
Issue of units during the period	2,688,580	1,135,688
Redemption of units during the period	(1,903,501)	(2,002,239)
Net increase / (decrease) in units	785,079	(866,551)
UNITS AT THE END OF THE PERIOD	13,592,178	13,834,247

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

HSBC Saudi Freestyle Equity Fund

Interim condensed statement of cash flows (unaudited)

For the six-month period ended 30 June 2021

	2021 SR	2020 SR
Operating activities		
Net income / (loss) for the period	96,915,424	(16,247,515)
<i>Adjustments to reconcile net income / (loss) to net cash flows from operating activities:</i>		
Movement in unrealised (gain)/loss on financial assets at FVTPL	(35,624,499)	33,381,214
<i>Working capital adjustments:</i>		
(Increase) / decrease in financial assets at FVTPL	(88,930,629)	48,059,803
Decrease in receivables and advances	2,501,434	1,964,041
Increase / (decrease) in management fee payable	113,379	(44,009)
Increase / (decrease) in accrued expenses and other payables	17,263,062	(390,773)
Net cash flows (used in) / from operating activities	(7,761,829)	66,722,761
Financing activities		
Proceeds from issuance of units	80,268,588	24,148,441
Payment on redemption of units	(53,118,339)	(42,977,896)
Net cash flows from / (used in) financing activities	27,150,249	(18,829,455)
Net increase in bank balance	19,388,420	47,893,306
Bank balance at the beginning of the period	10,132,098	9,582,334
Bank balance at the end of the period	29,520,518	57,475,640

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

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements

At 30 June 2021

1. INCORPORATION AND ACTIVITIES

HSBC Saudi Freestyle Equity 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 Saudi Freestyle 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 Shariah compliant Saudi equities listed on Tadawul (Saudi Stock Market). The Fund invests in a concentrated portfolio and is managed in a manner that is both active and flexible to provide returns to investors that are not linked to a benchmark or weighting tied to an index.

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.

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.

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 2021 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 2020.

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 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.

3.2 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the fund.

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

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

3.2 New standards, interpretations and amendments (continued)

Interest Rate Benchmark Reform—Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed financial statements of the Fund.

The Fund intends to use the practical expedients in future periods if they become applicable.

4. 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 2021 (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 equities (by sector)</i>				
Materials	28.38	103,787,668	121,233,715	17,446,047
Banks	24.99	62,412,037	106,788,021	44,375,984
Telecommunication Services	14.61	54,989,830	62,424,333	7,434,503
Pharma, Biotech and Life Science	5.40	16,275,895	23,052,996	6,777,101
Transportation	5.08	20,143,747	21,709,199	1,565,452
Consumer Services	5.01	20,918,435	21,396,172	477,737
Health Care Equipment and Services	4.16	16,661,438	17,779,486	1,118,048
Real Estate Management and Development	3.96	17,315,622	16,904,622	(411,000)
Insurance	3.94	15,608,913	16,818,322	1,209,409
Retailing	2.46	4,706,864	10,529,086	5,822,222
Energy	2.01	4,511,403	8,588,179	4,076,776
Total	100.00	337,331,852	427,224,131	89,892,279

The above equity investments are listed on the Saudi Stock Exchange ("Tadawul"). The Fund Manager seeks to limit risk for the Fund by monitoring exposures in each investment sector and individual securities.

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

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

	31 December 2020 (Audited)			
	% of Market value	Cost SR	Market value SR	Unrealised gain (loss), net SR
<i>Investments in equities (by sector)</i>				
Banks	24.2	54,375,522	73,286,270	18,910,748
Materials	20.1	50,635,310	60,767,256	10,131,946
Telecommunication Services	10.7	30,789,002	32,258,129	1,469,127
Energy	10.6	28,113,469	32,201,725	4,088,256
Insurance	7.3	19,316,039	21,987,124	2,671,085
Retailing	6.2	12,463,119	18,675,612	6,212,493
Health Care Equipment and Services	6.1	10,994,215	18,546,562	7,552,347
Utilities	5.6	16,856,467	16,980,786	124,319
Food and Beverage	3.2	7,995,159	9,813,505	1,818,346
Pharma, Biotech and Life Science	2.8	7,554,866	8,548,736	993,870
Consumer Services	1.6	4,543,423	4,887,911	344,488
Real Estate Management and Development	1.6	4,764,632	4,715,387	(49,245)
Total	100.0	248,401,223	302,669,003	54,267,780

5. TRANSACTIONS WITH RELATED PARTIES

A. Transactions and balances with Fund Manager

In the ordinary course of its activities, the Fund transacts business with related parties. The following are the details of major related party transactions during the period:

Related party	Nature of transactions	Amount of transactions		Balance	
		2021 SR	2020 SR	2021 SR	2020 SR
HSBC Saudi Arabia (Fund Manager)	Fund management fee	3,475,477	2,539,651	164,508	51,129
	Administration fee	102,220	74,696	20,099	15,617
	Board member fee	9,918	9,891	10,247	16,118
	Cash at bank			8,904,393	8,904,393
Saudi British Bank (Parent of Fund Manager)	Cash at bank			-	325,000

The Fund pays the Fund Manager a management fee calculated at an annual rate of 1.7% per annum calculated on the total 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 2021 include Nil units held by the employees of the Fund Manager (31 December 2020: Nil units) and units held by other funds managed by the Fund manager aggregating to 4,146,377 units (31 December 2020: 3,115,677 units).

There are no units in issue as at 30 June 2021 (31 December 2020: Nil units) that are held by the Fund Manager.

The Saudi British Bank ("SABB") parent of the Fund Manager) acts as the Fund's banker.

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

5. TRANSACTIONS WITH RELATED PARTIES (continued)

B. Transactions with Board of Directors

The independent directors are entitled to remuneration for their services at rates determined by the Fund's terms and conditions in respect of attending meetings of the board of directors or meetings of the Fund. Independent director's fees are currently SR 5,000 per meeting up to a maximum of 2 meetings per annum per director which is paid equally by all funds supervised by the board.

6. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Payable for outstanding investment settlements	17,504,565	246,589
Accrued expenses	46,279	48,762
Administration fee payable	20,099	15,617
Benchmark fee payable	15,539	7,840
Board of directors' fees payable	10,247	16,118
Other payables	25,307	24,048
	<u>17,622,036</u>	<u>358,974</u>

7. OTHER EXPENSES

	2021 (Unaudited) SR	2020 (Unaudited) SR
Administrator fees	102,220	74,696
Custodian fees	66,390	78,428
Professional fees	17,108	15,578
Board of directors' fees	9,918	9,891
Benchmark fees	7,699	7,010
Purification fees	7,514	14,092
Others	3,618	8,872
	<u>214,467</u>	<u>208,567</u>

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has only investments at fair value through profit or loss which is measured at fair values and are classified within level 1 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 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

9. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

<i>As at 30 June 2021 (Unaudited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	29,520,518	-	29,520,518
Financial assets at FVTPL	427,224,131	-	427,224,131
Receivables and advances	2,283,750	-	2,283,750
TOTAL ASSETS	459,028,399	-	459,028,399
LIABILITIES			
Management fee payable	164,508	-	164,508
Accrued expenses and other payables	17,622,036	-	17,622,036
TOTAL LIABILITIES	17,786,544	-	17,786,544
<i>As at 31 December 2020 (Audited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	10,132,098	-	10,132,098
Financial assets at FVTPL	302,669,003	-	302,669,003
Receivables and advances	4,785,184	-	4,785,184
TOTAL ASSETS	317,586,285	-	317,586,285
LIABILITIES			
Management fee payable	51,129	-	51,129
Accrued expenses and other payables	358,974	-	358,974
TOTAL LIABILITIES	410,103	-	410,103

10. LAST VALUATION DAY

The last valuation day of the period/year was 30 June 2021 (year ended 31 December 2020: 31 December 2020).

11. IMPACT OF COVID-19 ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the Fund Manager has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

The impact of the pandemic on the Fund’s operations and financial results till the date of the unaudited interim financial statements has been reflected in the net assets value and investments value. These developments could further impact our future financial results, cash flows and financial condition and the Fund Manager will continue to assess the nature and extent of the impact on its business and financial results.

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

12. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These unaudited interim condensed financial statements were approved by the Fund's management on 7 Muharram 1443H (corresponding to 15 August 2021).