

INTERIM REPORT – H1 2018
- HSBC Multi-Assets Defensive Fund -

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

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A. Management Information

1. Fund Name HSBC Multi-Assets Defensive Fund

2. Fund Manager

Name HSBC Saudi Arabia
Address 7267 Olaya, AlMurooj
Riyadh 12283-2255
Kingdom of Saudi Arabia
Phone: +1 920022688
Fax: +96612992385
Website: www.hsbcSaudi.com

3. Fund Sub-Manager (if any)

Name None
Address

4. Advisor (if any)

Name None
Address

B. Detailed Fundamental, Material, Notifiable, or Significant Changes Made on the Fund's Terms and Conditions During the Period

During the first half of 2018, the below changes have been made:

- Added the VAT to include the Service Fess offered by the Funds.
- Appointed Albilad Capital Co. as an Independent Custodian.
- Updated the Fund's terms and conditions and issued the information memorandum and information summary "the documents" to comply with the IFRs issued by the CMA.

C. Investment Activities of the Period

During the 1st half of 2018, in the Murabaha Funds and Sukuk Fund and Sukuk space, the HSBC Multi-Assets Defensive Fund ('Fund') had exposure to HSBC SAR Murabaha Fund, HSBC US Dollar Murabaha Fund, HSBC Sukuk Fund and AlMarai Perpetual Sukuk; whereas, in Equity Mutual Funds space the Fund primarily had exposure to HSBC Saudi Freestyle Equity Fund, HSBC Global Equity Index Fund, HSBC Saudi Companies Equities Fund, HSBC Global Emerging Market Equity Fund and HSBC GCC Equity Fund. During the period, the Fund exited its investment in HSBC China and India Equity Freestyle Fund. . In addition at the end of the period, the Fund also had an equity exposure of around 2% to AlRajhi Bank.

D. Commentary on Investment Fund's Performance During the Period

The underlying Mutual funds held by the Fund posted mixed returns during the 1st half of 2018. The HSBC Multi-Assets Defensive Fund recorded a positive return of 2.57% YTD (as at end of June, 2018), as opposed to benchmark return of 3.34%. For the underlying Mutual Funds held in the Fund as of end of June, 2018, the top two Mutual funds (in terms of their respective positive performances YTD) which contributed to the positive performance of the Fund were HSBC Saudi Companies Equities Fund and HSBC Saudi Freestyle Equity Fund. During the 1st half of the year, the HSBC Saudi Companies Equities Fund and HSBC Saudi Freestyle Equity Fund posted returns of 17.56% and 15.68% respectively.

E. Valuation or Pricing Errors during the Year

None.

F. Any Additional Information that Might Enable Unit Holders to Make Informed Decisions that are Based on Sufficient Information about the Fund During the Year

There is no additional information to be disclosed; 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, regulatory, tax, and/or investment advisors.

G. Distribution of Management Fees (only if the fund is substantially investing in other funds)

Fund	Fees
International Equity Funds	
Global Equity Index Fund	1.55%
Global Emerging Markets Equity Fund	2.30%
GCC Equity Fund	2.30%
Local Equity Funds	
HSBC Saudi Freestyle Equity Fund	1.70%
HSBC Saudi Companies Equity Fund	1.70%
Murabaha Funds	
Saudi Riyal Murabaha Fund	0.45%
US Dollar Murabaha Fund	0.35%
Other International Funds	
Sukuk Fund	1.00%

H. Special Commission Received by Fund Manager (if any, including what they are and the manner in which they were utilized)

None.

HSBC MULTI-ASSETS DEFENSIVE FUND
An open-ended mutual fund
Managed by HSBC Saudi Arabia
Unaudited Interim Condensed Financial Statements
For the six-month period ended 30 June 2018



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Independent auditors' report on review of interim condensed financial statements

To the Unitholders of
HSBC Multi-Assets Defensive Fund
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 June 2018 interim condensed financial statements of **HSBC Multi-Assets Defensive Fund**, an open-ended mutual fund ("the Fund"), managed by HSBC Saudi Arabia ("the Fund Manager"), which comprises:

- the interim condensed statement of financial position as at 30 June 2018;
- the interim condensed statement of comprehensive income for the six month period ended 30 June 2018;
- the interim condensed statement of changes in net assets (equity) attributable to the Unitholders for the six month period ended 30 June 2018;
- the interim condensed statement of cash flows for the six month period ended 30 June 2018; and
- the notes to the interim condensed financial statements.

The Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34, "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority (CMA), the Fund's Terms and Conditions and the Information Memorandum. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 30 June 2018 interim condensed financial statements of **HSBC Multi-Assets Defensive Fund** are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For **KPMG Al Fozan & Partners**
Certified Public Accountants


Abdullah Hamad Al Fozan
License No: 348

Date: 15 August 2018
Corresponding to: 4 Dhul Hijjah, 1439H



KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

HSBC MULTI-ASSETS DEFENSIVE FUND
(An open-ended mutual fund)
Interim condensed statement of financial position (unaudited)
(Saudi Arabian Riyal)

	<i>Notes</i>	<i>30 June 2018</i>	<i>31 December 2017</i>	<i>1 January 2017</i>
ASSETS				
Cash and cash equivalents	<i>10</i>	1,240,114	156,553	4,633,073
Investments at fair value through profit or loss	<i>11</i>	126,695,534	130,870,374	129,964,289
Investments measured at amortised cost	<i>13</i>	1,997,533	2,000,000	2,000,000
Receivables and advances		232,169	216,144	202,255
TOTAL ASSETS		130,165,350	133,243,071	136,799,617
LIABILITIES				
Accrued expenses	<i>14</i>	59,034	273,402	1,298,382
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		130,106,316	132,969,669	135,501,235
Units in issue (numbers)		8,872,284	9,300,075	9,940,908
Net asset value (equity) per unit - IFRS	<i>18</i>	14.66	14.30	13.63
Net asset value (equity) per unit - Dealing	<i>18</i>	14.66	14.30	13.63

The accompanying notes 1 to 22 form integral part of these interim condensed financial statements.

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

Saqib Masood
Chief Investment Officer

Chistie K Moinuddin
Chief Financial Officer

HSBC MULTI-ASSETS DEFENSIVE FUND
(An open-ended mutual fund)
Interim condensed statement of comprehensive income (unaudited)
(Saudi Arabian Riyal)

		For the six-month period ended 30 June	
	<i>Notes</i>	2018	2017
INVESTMENT INCOME			
Net gains from investments at FVTPL	<i>12</i>	3,094,658	4,125,512
Dividend income		504,622	401,221
Income from investments measured at amortised cost		40,938	40,498
Other income		1,025	--
TOTAL INCOME		3,641,243	4,567,231
EXPENSES			
Management fees	<i>15</i>	302,846	282,326
Exchange loss		3,490	2,207
Reversal of provision for credit losses		(8,157)	--
TOTAL EXPENSES		298,179	284,533
NET INCOME FOR THE PERIOD		3,343,064	4,282,698
Other comprehensive income		--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,343,064	4,282,698

The accompanying notes 1 to 22 form integral part of these interim condensed financial statement.

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



Saqib Masood
Chief Investment Officer



Chistie K Moinuddin
Chief Financial Officer

HSBC MULTI-ASSETS DEFENSIVE FUND
(An open-ended mutual fund)
Interim statement of changes in net assets (equity) attributable for Unitholders (unaudited)
For the six-month period ended 30 June 2018
(Saudi Arabian Riyal)

	<i>Note</i>	2018	2017
Net assets (equity) attributable to the unitholders as at the beginning of the period (as reported previously)		132,969,669	135,501,235
Impact of adoption of new standard at 1 January 2018	20	(10,624)	--
Net assets (equity) attributable to the unitholders as at the beginning of the period (restated)		132,959,045	135,501,235
Net income for the period		3,343,064	4,282,698
Contributions and redemptions by the unitholders:			
Proceeds from issuance of units		18,464,180	11,665,144
Payments against redemption of units		(24,659,973)	(17,377,656)
Net change from unit transactions		(6,195,793)	(5,712,512)
Net assets (equity) attributable to the unitholders as at 30 June		130,106,316	134,071,421

UNIT TRANSACTIONS

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

	2018	2017
	<i>(In numbers)</i>	
Units as at the beginning of the period	9,300,075	9,940,908
Units issued during the period	1,271,847	842,237
Units redeemed during the period	(1,699,638)	(1,256,624)
Net decrease in units	(427,791)	(414,387)
Units as at end of the period	8,872,284	9,526,521

The accompanying notes 1 to 22 form integral part of these interim condensed financial statements.

HSBC MULTI-ASSETS DEFENSIVE FUND
(An open-ended mutual fund)
Interim condensed statement of cash flows (unaudited)
(Saudi Arabian Riyal)

	For the six-month period ended 30 June	
	2018	2017
Cash flow from operating activities		
Net income for the period	3,343,064	4,282,698
<i>Adjustment to reconcile net income to net cash generated from operating activities:</i>		
Unrealized losses / (gains) on investments at FVTPL	2,232,548	(1,813,631)
Reversal of provision for credit loss	(8,157)	--
	5,567,455	2,469,067
Net changes in operating assets and liability		
Investments at FVTPL	1,942,292	2,774,185
Receivables and advances	(16,025)	(324,517)
Accrued expenses	(214,368)	(1,253,802)
Net cash generated from operating activities	7,279,354	3,664,933
Cash flow from financing activities		
Proceeds from issuance of units	18,464,180	11,665,144
Payments against redemption of units	(24,659,973)	(17,377,656)
Net cash used in financing activities	(6,195,793)	(5,712,512)
Increase / (decrease) in cash and cash equivalents	1,083,561	(2,047,579)
Balance as at the beginning of the period	156,553	4,633,073
Balance as at the end of the period	1,240,114	2,585,494

The accompanying notes 1 to 22 form integral part of these interim condensed financial statements.

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

1 GENERAL

HSBC Multi-Assets Defensive Fund (“the Fund”) is an investment fund established through 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. Albilad Capital is acting as the custodian of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

2 REGULATING AUTHORITY

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

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

3 SUBSCRIPTION/REDEMPTION (DEALING DAY AND VALUATION DAY)

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

4 BASIS OF PREPARATION

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

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

For all periods up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards as issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). The interim condensed financial statements for the six-month period ended 30 June 2018 are the first financial statements of the Fund prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Fund is provided in note 19.

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

5 FUNCTIONAL AND PRESENTATIONAL CURRENCY

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

6 BASIS OF MEASUREMENT

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

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

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

7 USE OF CRITICAL JUDGMENTS AND ESTIMATES

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Significant area where management has used estimates, assumptions or exercised judgement are as follow:

Impairment of financial assets

The Fund recognises loss allowances for expected credit loss (ECL) on the financial instruments measured at amortised cost that are Sukuk placements. No impairment loss is recognised on equity investments.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured at 12-month ECL:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets on which credit risk has not increased significantly since their initial recognition

The Fund considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of ‘investment grade’ or certain unrated investment with no default in past. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

8 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim condensed financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Where policies are applicable only after or before 1 January 2018, those policies have been particularly specified in note 19.

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

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Transactions in foreign currencies are translated into Saudi Riyals at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the interim condensed statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies are retranslated into Saudi Riyals at the exchange rate at the reporting date.

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

Net Asset Value (Equity)

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

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.

Cash and cash equivalents

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

Redeemable units

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

- the redeemable units must entitle the holder to a pro-rata share of net assets;
- the redeemable units must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the redeemable units over its life must be based substantially on the profit or loss of the issuer.

Revenue recognition

Net gain / (loss) from investments at FVTPL

Net gain from investments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences (if any), but excludes interest and dividend income, and dividend expense on securities sold short. Net realised gain / (loss) from investments at FVTPL is calculated using the weighted average cost method.

Trade date accounting

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

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

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend income

Dividend income is recognized in statement of comprehensive income based on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognized in profit or loss in a separate line item.

Special commission income

Special commission income is recognized in statement of comprehensive income on an accrual basis using the effective interest rate method.

Fund management fees

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

Zakat and income tax

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

Financial assets and financial liabilities

Policies applicable before 1 January 2018

Investments held for trading

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

Held to maturity investments

Investments that are bought with the intention of being held to maturity are carried at cost (adjusted for any premium or discount on an effective yield basis), less a provision for any permanent diminution in the value of held to maturity investments. Investments transactions are accounted for as at the trade date.

Policies applicable from 1 January 2018

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

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

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual commission revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or 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.

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

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 'Special Commission Income' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

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

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

Reclassifications

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

Derecognition

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

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

Offsetting

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

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

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

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive); and
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortized cost as a deduction from the gross carrying amount of the assets.

Significant increase in credit risk

To determine whether the risk of default on a financial instrument has increased significantly since initial recognition, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and expert credit assessment and including an assessment of the change in probability of default (PD) as at the reporting date with the PD at the time of initial recognition of the exposure.

Definition of default

The Fund considers a financial asset to be in default when:

- the investee is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the investee is past due more than 10 days on any material credit obligation to the Fund.

In assessing whether a investee is in default. The Fund considers indicators that are:

- qualitative- e.g. breaches of covenant;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Fund; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ongoing basis. The Fund measures instruments quoted in an active market at a mid-price, because this price provides a reasonable approximation of the exit price.

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

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

Cash and cash equivalents

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

Redeemable units

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

- the redeemable units must entitle the holder to a pro-rata share of net assets;
- the redeemable units must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the redeemable units over its life must be based substantially on the profit or loss of the issuer.

9 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

10 CASH AND CASH EQUIVALENTS

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

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11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments comprise the following sector exposures as at reporting date:

<i>Description</i>	<i>% of value</i>	<i>30 June 2018</i>		<i>% of value</i>	<i>31 December 2017</i>		<i>% of value</i>	<i>1 January 2017</i>		
		<i>Cost</i>	<i>Market value</i>		<i>Cost</i>	<i>Market value</i>		<i>Cost</i>	<i>Market value</i>	
<i>Units in sub-funds (managed by the Fund Manager)</i>										
HSBC Saudi Riyal Murabaha Fund	36.3	43,584,014	46,013,854	36.3	45,413,177	47,513,173	36.7	45,993,296	47,754,407	
HSBC Sukuk Fund	22.9	30,000,000	29,071,437	22.5	30,000,000	29,404,433	22.9	30,000,000	29,762,028	
HSBC US Dollar Murabaha Fund	12.6	14,998,952	15,899,106	12.1	14,998,952	15,801,740	12.08	14,998,952	15,701,639	
HSBC Saudi Freestyle Equity Fund	7.7	8,432,320	9,720,014	2.1	2,532,320	2,732,289	4.12	3,842,184	5,221,315	
HSBC Saudi Companies Equity Fund	5.8	6,557,915	7,329,542	2.2	2,793,988	2,808,210	--	--	--	
HSBC Global Emerging Market Equity Fund	5.2	5,700,297	6,681,387	5.8	6,237,565	7,645,776	7.2	10,688,918	9,365,430	
HSBC Global Equity Index Fund	5.2	3,574,564	6,545,495	12.7	9,163,396	16,626,902	11.7	9,700,497	15,240,879	
HSBC GCC Equity Fund	2.0	1,983,009	2,470,739	3.6	4,208,407	4,704,688	4.6	5,381,250	6,005,581	
HSBC China & India Equity Freestyle Fund	--	--	--	0.9	1,239,750	1,242,417	--	--	--	
Sub Total	97.7	114,831,071	123,731,574	98.2	116,587,555	128,479,628	99.3	120,605,097	129,051,279	
<i>Equities</i>										
Banks	2.3	2,226,251	2,963,960	1.8	2,412,059	2,390,746	--	--	--	
Commercial & Prof Services	--	--	--	--	--	--	0.7	900,760	913,010	
Grand Total	100	117,057,322	126,695,534	100	118,999,614	130,870,374	100	121,505,857	129,964,289	

12 NET GAINS FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2018</i>	<i>2017</i>
Realised gains for the period	5,327,206	2,311,881
Unrealised (losses) / gains for the period	<u>(2,232,548)</u>	1,813,631
Total	<u>3,094,658</u>	<u>4,125,512</u>

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

13 INVESTMENTS MEASURED AT AMORTISED COST

	<i>30 June 2018</i>	<i>31 December 2017</i>	<i>1 January 2017</i>
Cost	2,000,000	2,000,000	2,000,000
Allowance for credit losses	<u>(2,467)</u>	--	--
Total	<u>1,997,533</u>	<u>2,000,000</u>	<u>2,000,000</u>

As at 30 June 2018, an allowance for expected credit loss has been recorded amounting to SAR 2,467 as part of the Fund's adoption of IFRS 9 impairment requirements (note 20).

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13 INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

The methodology and assumptions applied by the Fund in estimating the ECL on the Sukuk investment 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.

14 ACCRUED EXPENSES

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

15 TRANSACTIONS WITH RELATED PARTIES

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

Related parties of the Fund comprise HSBC Saudi Arabia (being the Fund Manager, Fund Board, and administrator of the Fund), Albi'ad Capital (being custodian of the Fund) and The Saudi British Bank ("SABB") (being significant shareholder of the Fund Manager).

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

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 0.45% of Net assets value (2017: 0.45% of Net assets value). All Fees and expenses related to the management of the Fund including but not limited to custody, administration, audit, regulatory and index fees, etc., are included in the management fee.

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

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

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

Related party	Nature of transactions	Amount of transaction during the period		Closing balance	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
HSBC Saudi Arabia (Fund Manager)	Fund management fee	302,846	282,326	59,034	273,402
SABB	Cash and cash equivalents	--	--	1,240,114	156,553
Fund Board	Board member remuneration	--	--	--	--

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15 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

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

As at 30 June 2018, the investments portfolio of the Fund includes investments valued at SR 123.73 million (31 December 2017: SR 128.48 million) in the units of mutual funds managed and administered by the Fund Manager.

16 FINANCIAL RISK MANAGEMENT

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

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

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

Risk management framework

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund’s investment portfolio comprises of listed equities and investment measured at amortised cost.

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

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

	30 June	<i>31</i> December	<i>1</i> January
	2018	2017	2017
Cash and cash equivalents	1,240,114	156,553	4,633,073
Investments measured at amortised cost	1,990,417	2,000,000	2,000,000
<i>Total exposure to credit risk</i>	<u>3,230,531</u>	<u>2,156,553</u>	<u>6,633,073</u>

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16 FINANCIAL RISK MANAGEMENT (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 the counterparties.

Liquidity risk

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

The Fund's terms and conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. However, the Fund's investments are considered to be readily realizable as the units can be redeemed at short notice.

The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and equity prices – will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund manager.

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Fund is subject to special commission rate risk on its commission bearing assets and liability on Sukuks. The sensitivity of the income is the effect of assumed changes in commission rates, with all other variables held constant, on the Fund's income for the year, based on the floating rate financial assets held at 30 June 2018. The following table sets out the approximate annual aggregate impact on net income by hypothetical changes in the weighted average special commission rates of the floating rate financial assets at 30 June:

	2018		2017	
<i>Special commission income</i>	+ 10bps	910	+10bps	900
	- 10bps	(910)	- 10bps	(900)
	+ 50bps	4,549	+50bps	4,500
	- 50bps	(4,549)	- 50bps	(4,500)

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 market price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration.

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16 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

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

	June 2018		June 2017	
<i>Net gain / (loss) on investments held at FVTPL</i>	+ 5%	6,334,777	+ 5%	6,450,187
	- 5%	(6,334,777)	- 5%	(6,450,187)

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 views the Saudi Riyal as its functional currency.

The Fund does not undertake significant transactions in currencies other than SR and US Dollar as the SR is pegged to the US Dollar. Transactions in US Dollars are not considered to represent significant currency risk.

However, the Fund is subject to currency risks arising from its investments at fair value through profit or loss in international equity funds as the underlying investments comprise investments in various foreign currencies. The Fund Manager relies on the risk management policies of the respective mutual funds to manage its currency risk.

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

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

Financial instruments comprise financial assets and financial liabilities. The Fund's financial assets consist of financial assets at FVTPL, financial assets measured at amortised cost and cash and cash equivalent.

Fair value hierarchy

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

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

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

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

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17 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

30 June 2018					
	Carrying value	Level 1	Level 2	Level 3	Total
Investments at FVTPL	126,695,534	126,695,534	--	--	126,695,534
Investments measured at amortised cost	1,997,533	--	--	2,000,000	2,000,000
Total	128,693,067	126,695,534	--	2,000,000	128,695,534

31 December 2017					
	Carrying value	Level 1	Level 2	Level 3	Total
Investments at FVTPL	130,870,374	130,870,374	--	--	130,870,374
Investments measured at amortised cost	2,000,000	--	--	--	2,000,000
Total	132,870,374	130,870,374	--	--	132,870,374

1 January 2017					
	Carrying value	Level 1	Level 2	Level 3	Total
Investments at FVTPL	129,964,289	129,964,289	--	--	129,964,289
Investments measured at amortised cost	2,000,000	--	--	--	2,000,000
Total	131,964,289	129,964,289	--	--	131,964,289

During the period, no transfer in fair value hierarchy has taken place for the investments at fair value through profit or loss.

For level 3 investments measured at amortised cost (Sukuk), these have been valued based on management's assessment of risks associated with the Sukuk's underlying assets, the terms and conditions of the investment and the current market prevailing economics.

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

18 LAST VALUATION DAY

The last valuation day of the period was 30 June 2018 (2017: 31 December 2017) and the dealing net assets value on this day was SR 14.66 per unit (2017: 14.30). The IFRS net assets value per unit on 30 June 2018 was SR 14.66. Net assets (equity) per unit as per IFRS and dealing net assets value per unit remained the same due to minimal ECL provisions recognised under IFRS 9.

19 EXPLANATION OF TRANSITION TO IFRS

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

The accounting policies set out in note 8 have been applied in preparing the financial statements for the year ended 31 December 2017 and in the preparation of an opening IFRS statement of financial position at 1 January 2017 (the Fund's date of transition) except for IFRS 9 and 15 which were adopted as at 1 January 2018 as disclosed in note 20.

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19 EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

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

20 IMPACT OF CHANGE IN ACCOUNTING POLICIES

IFRS 9, Financial Instruments

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

The Fund's investments are investments at fair value through profit or loss and investments measured at amortised cost. Held for trading investments have remained to be classified as fair value through profit or loss up to upon adoption of IFRS 9 as at 1 January 2018.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

Comparative periods have not been restated. A difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in net assets attributable to the Unitholder as at 1 January 2018.

Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designated financial assets and financial liabilities as measured at FVTPL.

Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with previous GAAP and the new measurement categories under IFRS 9 for the Fund's financial assets as at 1 January 2018:

	<i>Classification under <u>previous</u> GAAP</i>	<i>New classification under <u>IFRS 9</u></i>	<i>Original carrying value under previous <u>GAAP</u></i>	<i>New carrying value under <u>IFRS</u> <u>9</u></i>
Cash and cash equivalents	Cash and cash equivalents	Cash and cash equivalents	156,553	156,553
Held for trading investments	Held for trading investments	Investments at FVTPL	130,870,374	130,870,374
Held to maturity investments (HTM)	Held to maturity investments (HTM)	Investments measured at amortised cost (debt)	2,000,000	1,990,417
Accrued income	Loans and receivables	Investments measured at amortised cost (debt)	216,144	216,144

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20 IMPACT OF CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Reconciliation of carrying amounts under previous GAAP to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under previous GAAP to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018:

	<u>New classification</u> <u>under IFRS 9</u>	<u>Carrying</u> <u>amount as at</u> <u>31 December</u> <u>2017</u>	<u>Re-classifica</u> <u>tion</u>	<u>Re-measur</u> <u>ent</u>	<u>IFRS 9</u> <u>carrying</u> <u>amount as at</u> <u>1 January 2018</u>
Cash and cash equivalents	Cash and cash equivalents	156,553	--	--	156,553
Investments at FVTPL	Investments at FVTPL	130,870,374	--	--	130,870,374
Investments measured at amortised cost	Investments measured at amortised cost (debt)	2,000,000	--	(10,624)	1,989,376
Receivables and advances	Receivables	216,144	--	--	216,144

As at 1 January 2018, re-measurement pertains to first time adoption of expected credit loss recorded in investments measured at amortised cost.

Impact on net assets (equity) attributable to Unitholders

	<i>Net assets</i> <i>(equity) value</i>
Closing balance under previous GAAP (31 December 2017)	132,969,669
Recognition of expected credit losses under IFRS 9	(10,624)
Opening balance under IFRS 9 (1 January 2018)	<u>132,959,045</u>

IFRS 15, Revenue from Contracts with Customers

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

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

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

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

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21 SUBSEQUENT EVENT

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

22 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

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