

INTERIM REPORT – H1 2019
- HSBC Multi-Assets Balanced Fund -

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



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A. Management Information

1. Fund Name HSBC Multi-Assets Balanced Fund

2. Fund Manager

Name HSBC Saudi Arabia
Address 7267 Olaya, AlMurooj
Riyadh 12283-2255
Kingdom of Saudi Arabia
Phone: 920022688
Fax: +966112992385
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

- Resignation of His Excellency Governor/ Ihsan Abbas Hamzah Bafakih from the fund board

The changes to the funds' prospectus as follows:

Paragraph	Previous Fund Board	New Fund Board
Members of the Fund Board	<ol style="list-style-type: none">1. Daniel Lima (Chairman)2. Haitham Alrashed (Dependent Member)3. Ihsan Bafakih (Dependent Member)4. Ali Alothaim (Dependent Member)5. Tariq Altuwaijri (Dependent Member)	<ol style="list-style-type: none">1. Daniel Lima (Chairman)2. Haitham Alrashed (Dependent Member)3. Ali Alothaim (Dependent Member)4. Tariq Altuwaijri (Dependent Member)

C. Investment Activities of the Period

During the 1st Half of 2019, in the Murabaha Funds and Sukuk Fund space, the HSBC Multi-Assets Balanced Fund ('Fund') had exposure to HSBC SAR Murabaha and HSBC Sukuk Fund, DAMAC Sukuk and Dar Al-Arkan Sukuk; whereas, in Equity Mutual Funds and Equities space the Fund primarily had exposure to HSBC Saudi Freestyle Equity Fund, HSBC Global Equity Index Fund, HSBC Saudi Companies Equity Fund, HSBC GCC Equity Fund, HSBC Global Emerging Market Equity Fund and AlRajhi Bank.

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

All the underlying Mutual funds held by the Fund posted positive performance during the 1st half of 2019. The HSBC Multi-Assets Balanced Fund recorded a positive return of 7.52% YTD (as at end of June, 2019), as opposed to benchmark return of 8.14%. For the underlying Mutual Funds held in the Fund as of end of June, 2019, the top two Mutual funds (in terms of their respective positive performances YTD), were HSBC Global Equity Index Fund and HSBC Saudi Freestyle Equity Fund. During the 1st half of the year, the HSBC Global Equity Index Fund and HSBC Saudi Freestyle Equity Fund posted returns of 17.09% and 12.35% 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)

Funds	Fees
International Equity Funds	
HSBC GCC Equity Fund	2.30%
HSBC Global Emerging Markets Equity Fund	2.30%
HSBC Global Equity Index Fund	1.55%
Local Equity Funds	
HSBC Saudi Freestyle Equity Fund	1.70%
HSBC Saudi Companies Equity Fund	1.70%
Murabaha Funds	
HSBC Saudi Riyal Murabaha Fund	0.45%
Other International Funds	
HSBC 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 BALANCED FUND
An open-ended mutual fund
(Managed by HSBC Saudi Arabia)
Interim condensed financial statements
For the six-month period ended 30 June 2019
together with the
Independent auditors' review report



KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Salahudeen Al Ayoubi Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa
Licence No. 46/11/323 issued 11/3/1992

Independent auditors' review report on the interim condensed financial statements

To the unitholders of HSBC Multi-Assets Balanced Fund

Introduction

We have reviewed the accompanying interim condensed financial statements of **HSBC Multi-Assets Balanced Fund** ("the Fund"), managed by HSBC Saudi Arabia ("the Fund Manager"), which comprises:

- the interim condensed statement of financial position as at 30 June 2019;
- the interim condensed statement of comprehensive income for the six months period ended 30 June 2019;
- the interim condensed statement of changes in net assets (equity) attributable to the unitholders for the six months period ended 30 June 2019;
- the interim condensed statement of cash flows for the six months period ended 30 June 2019; 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 the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as 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, the Fund's Terms and Conditions and the Information Memorandum. 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 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 the 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 2019 interim condensed financial statements of **HSBC Multi-Assets Balanced Fund** are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdulaziz Abdullah Alnaim
License No: 394

4 August 2019
Corresponding to: 3 Dhul Hijjah 1440H



HSBC MULTI-ASSETS BALANCED FUND
(An open-ended mutual fund)
Interim condensed statement of financial position
As at 30 June 2019
(Amounts in Saudi Arabian Riyal)

	<i>Note</i>	30 June 2019 <i>(Unaudited)</i>	31 December 2018 <i>(Audited)</i>
ASSETS			
Cash and cash equivalents	<i>10</i>	3,729,520	1,308,909
Investments at fair value through profit or loss	<i>11</i>	307,383,076	309,105,442
Investments at fair value through other comprehensive income	<i>14</i>	13,536,868	--
Receivables and advances		364,367	485,809
TOTAL ASSETS		325,013,831	310,900,160
LIABILITIES			
Accrued expenses	<i>13</i>	400,878	566,763
TOTAL LIABILITIES		400,878	566,763
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS			
		324,612,953	310,333,397
Units in issue (numbers)		18,382,736	18,896,060
Net assets value (equity) per unit – Dealing	<i>18</i>	17.66	16.42
Net assets value (equity) per unit – IFRS	<i>18</i>	17.66	16.42

The accompanying notes (1) to (20) form an 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 BALANCED FUND
(An open-ended mutual fund)
Interim condensed statement of comprehensive income (Unaudited)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyal)

		<i>For the six-month period ended 30 June</i>	
	<i>Note</i>	<i>2019</i>	<i>2018</i>
INVESTMENT INCOME			
Net gain on investments at fair value through profit or loss	12	22,658,756	15,242,248
Special commission income from investments at fair value through other comprehensive income		109,327	--
Dividend income		<u>1,181,533</u>	<u>1,117,225</u>
TOTAL INCOME		23,949,616	16,359,473
EXPENSES			
Management fees	15	745,019	761,907
Allowance for expected credit losses	14	271,048	-
Exchange losses, net		5,572	10,792
TOTAL EXPENSES		<u>1,021,639</u>	<u>772,699</u>
NET INCOME FOR THE PERIOD		<u>22,927,977</u>	<u>15,586,774</u>
OTHER COMPREHENSIVE INCOME			
Net unrealized gain on investments at fair value through other comprehensive income		148,859	-
Reversal of impairment charge for expected credit losses on investments at fair value through other comprehensive income		271,048	-
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<u>419,907</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>23,347,884</u>	<u>15,586,774</u>

The accompanying notes (1) to (20) form an 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 BALANCED FUND

(An open-ended mutual fund)

Interim condensed statement of changes in net assets (equity) attributable to the Unitholders (Unaudited)

For the six-month period ended 30 June 2019

(Amounts in Saudi Arabian Riyal)

	<u><i>For the six-month period ended 30 June 2019</i></u>	<u><i>For the six-month period ended 30 June 2018</i></u>
Net assets (equity) attributable to the unitholders as at the beginning of the period	310,333,397	320,842,557
Net income for the period	22,927,977	15,586,774
Net unrealized gain on investments at fair value through other comprehensive income	148,859	--
Reversal of impairment charge for expected credit losses on investments at fair value through other comprehensive income	271,048	--
<i>Subscriptions and redemptions by the Unitholders:</i>		
Proceeds from issuance of units	32,116,993	44,458,778
Payments for redemption of units	(41,185,321)	(40,657,716)
Net change from unit transactions	(9,068,328)	3,801,062
Net assets (equity) attributable to the unitholders as at 30 June	324,612,953	340,230,393

UNIT TRANSACTIONS

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

	<u><i>For the six-month period ended 30 June 2019</i></u>	<u><i>For the six-month period ended 30 June 2018</i></u>
	<i>(In numbers)</i>	
Units at the beginning of the period	18,896,060	19,923,664
Units issued during the period	1,838,830	2,687,022
Units redeemed during the period	(2,352,154)	(2,463,809)
Net (decrease) / increase in units	(513,324)	223,213
Units as at end of the period	18,382,736	20,146,877

The accompanying notes (1) to (20) form integral part of these interim condensed financial statements.

HSBC MULTI-ASSETS BALANCED FUND
(An open-ended mutual fund)
Interim condensed statement of cash flows (Unaudited)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyal)

	<u>30 June 2019</u>	<u>30 June 2018</u>
Cash flow from operating activities		
Net income for the period	22,927,977	15,586,774
<i>Adjustment for:</i>		
Unrealised (gain) / loss on investments at fair value through profit or loss	(11,380,745)	2,946,439
	11,547,232	18,533,213
Net changes in operating assets and liabilities		
Decrease / (increase) in investments at fair value through profit or loss	13,103,111	(18,286,943)
Increase in investments at fair value through other comprehensive income	(13,035,961)	--
Increase in receivables and advances	40,442	(24,994)
Decrease in accrued expenses	(165,885)	(479,520)
Net cash generated from / (used in) operating activities	11,488,939	(258,244)
Cash flow from financing activities		
Proceeds from issuance of units	32,116,993	44,458,778
Payments for redemption of units	(41,185,321)	(40,657,716)
Net cash (used in) / generated from financing activities	(9,068,328)	3,801,062
Net increase in cash and cash equivalents	2,420,611	3,542,818
Cash and cash equivalents at the beginning of the period	1,308,909	651,526
Cash and cash equivalents as at the end of the period	3,729,520	4,194,344
<u>Supplemental cash flow information</u>		
Special commission income received	109,327	--

The accompanying notes (1) to (20) form integral part of these interim condensed financial statements.

HSBC MULTI-ASSETS BALANCED FUND
(An open-ended mutual fund)
Notes to the interim condensed financial statements (Unaudited)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyal)

1 GENERAL

HSBC Multi-Assets Balanced Fund (“the Fund”) is an investment fund created through the agreement between HSBC Saudi Arabia (“the Fund Manager”) and the investors (“the Unitholders”). The objective of the Fund is to seek long term capital growth and the potential to preserve capital. The Fund Manager will allocate the capital across Shariah compliant securities such as murabaha transactions, sukuks and equities 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 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”) published by the Capital Market Authority (“the CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia. The Regulations were further amended on 16 Sha’aban 1437H (corresponding to 23 May 2016) (“the Amended Regulations”). The Fund Manager believes that the Amended Regulations was effective since 6 Safar 1438H (corresponding to 6 November 2016).

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 the change in the custodianship. The Fund updated its terms and conditions which were approved by the CMA on 20 Muharram 1440H (corresponding to 30 September 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 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) 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.

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 2018.

HSBC MULTI-ASSETS BALANCED FUND
(An open-ended mutual fund)
Notes to the interim condensed financial statements (Unaudited)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyal)

5 FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed financial statements are presented in Saudi Arabian 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 fair value through profit or loss (“FVTPL”) and investments at fair value through other comprehensive income (“FVOCI”), 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 areas where management has used estimates, assumptions or exercised judgement are as follows:

Allowance for expected credit losses

The Fund recognises allowance for expected credit loss (ECL) on the financial instruments measured at fair value through other comprehensive income.

The Fund measures loss allowance 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 the 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 accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent (except for the changes disclosed in “Note 9 Impact of change in accounting policies due to adoption of new standard”) with those used in the preparation of the annual financial statements for the year ended 31 December 2018.

HSBC MULTI-ASSETS BALANCED FUND
(An open-ended mutual fund)
Notes to the interim condensed financial statements (Unaudited)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyal)

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

Effective 1 January 2019, the Fund has adopted IFRS 16 - Leases. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The impact upon adoption of IFRS 16 was not material to the Fund's interim condensed financial statements.

10 CASH AND CASH EQUIVALENTS

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

11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at FVTPL comprise of the following exposures as at the reporting date:

<i>Description</i>	<i>30 June 2019 (Unaudited)</i>			<i>31 December 2018 (Audited)</i>		
	<i>% of value</i>	<i>Cost SR</i>	<i>Fair value SR</i>	<i>% of value</i>	<i>Cost SR</i>	<i>Fair value SR</i>
<i>Units in sub-funds (managed by the Fund Manager)</i>						
HSBC Saudi Riyal Murabaha Fund	33.8	97,345,597	103,963,960	31.4	91,812,82	97,189,133
HSBC Sukuk Fund	19.8	61,240,394	60,901,923	15.6	49,988,003	48,251,816
HSBC Saudi Companies Equity Fund	17.3	49,044,356	53,193,989	14.9	45,912,172	46,113,462
HSBC Saudi Freestyle Equity Fund	7.9	17,991,342	24,201,446	11.8	30,468,308	36,480,692
HSBC Global Equity Index Fund	6.8	14,050,045	20,780,924	11.6	28,429,960	35,885,747
HSBC Global Emerging Market Equity Fund	4.9	13,132,440	14,956,321	6.4	19,296,018	19,767,505
HSBC GCC Equity Fund	3.8	6,234,559	11,799,107	3.5	6,234,559	10,773,262
Sub Total	94.3	259,038,733	289,797,670	95.2	272,141,844	294,461,617
<i>Equities</i>						
Banks	5.7	11,021,433	17,585,406	4.8	11,021,433	14,643,825
Grand Total	100	270,060,166	307,383,076	100	283,163,277	309,105,442

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

	<i>For the six-month period ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
Realised gains for the period	11,278,011	18,188,687
Unrealised gains / (losses) for the period	11,380,745	(2,946,439)
Total	22,658,756	15,242,248

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

HSBC MULTI-ASSETS BALANCED FUND
(An open-ended mutual fund)
Notes to the interim condensed financial statements (Unaudited)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyal)

13 ACCRUED EXPENSES

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

14 INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 June 2019 (Unaudited)</i>	<i>31 December 2018 (Audited)</i>
Debt security – sukuk	13,246,020	--
Accrued commission	290,848	--
Total	13,536,868	--

The range of effective special commission rate on investments as at the six-months period ended 30 June 2019 is 6.625% p.a - 6.875% p.a. (31 December 2018: Nil). The above debt securities are redeemable at par.

The movement in the allowance for expected credit losses for debt securities (sukuk) is summarized as follows:

	<i>For the six- months period ended 30 June 2019</i>	<i>For the six- months period ended 30 June 2018</i>
Charge for the period	271,048	--
Balance at the end of the period	271,048	--

The methodology and assumptions applied by the Fund in estimating the ECL on sukuk is based on using the Moody’s rating scales which is adjusted for country specific data based on location of sukuk’s underlying assets, forward looking estimates and macroeconomic variables such as expected GDP growth, to determine the ECL as at the end of the reporting period.

15 TRANSACTIONS WITH RELATED PARTIES

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 of HSBC Saudi Arabia (being the Fund Manager, the Fund Board, administrator and custodian of the Fund), and The Saudi British Bank (“SABB”) (being the 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 are 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 0.45% of Net assets value (2018: 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.

HSBC MULTI-ASSETS BALANCED FUND
(An open-ended mutual fund)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyal)

15 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Subscription fee up to 2% is not considered in the interim condensed financial statements of the Fund, as investment in 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.

Related party	Nature of transactions	Amount of transaction for the six-month period ended		Closing balance	
		30 June 2019	30 June 2018	30 June 2019 (Unaudited)	31 December 2018 (Audited)
HSBC Saudi Arabia (Fund Manager)	Fund management fee	745,019	761,907	125,603	566,763
SABB	Cash and cash equivalents	--	--	--	594,662

Board member compensation and other expenses such custodian fee and administration fee during the period has been borne and paid by the Fund Manager.

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

As at 30 June 2019, the investments portfolio of the Fund includes investments valued at SR 289.80 million (31 December 2018: SR 294.46 million) in the units of mutual funds managed by the Fund Manager.

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund measures certain financial instruments at fair value at each reporting date. 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 must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in assumptions about these factors could affect the fair value of financial instruments.

Valuation models

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Fund determines fair values using other valuation techniques.

HSBC MULTI-ASSETS BALANCED FUND
(An open-ended mutual fund)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyal)

16 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation models (continued)

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value hierarchy – Financial instruments

The table below analyses financial instruments 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 interim condensed statement of financial position. All fair value measurements below are recurring.

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

	30 June 2019 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
Investments at FVTPL	307,383,076	307,383,076	--	--	307,383,076
Investment FVOCI	13,536,868	--	--	13,536,868	13,536,868
Total	320,919,944	307,383,076	--	13,536,868	320,919,944
	31 December 2018 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
Investments at FVTPL	309,105,442	309,105,442	--	--	309,105,442
Total	309,105,442	309,105,442	--	--	309,105,442

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16 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy – Financial instruments (continued)

During the period, no transfer in fair value hierarchies has taken place.

Other financial instruments such as cash in bank, other receivables and accrued expenses are short-term financial assets and financial liabilities respectively, whose carrying amounts approximate fair value, being short-term in nature and the high credit quality of counterparties.

17 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 mutual funds.

The Fund 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 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 balance. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk.

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 the 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.

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17 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash and cash equivalents	3,729,520	1,308,909
Receivables and advances	364,367	485,809
<i>Total exposure to credit risk</i>	<u>4,093,887</u>	<u>1,794,718</u>

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties.

Analysis of credit quality

The Fund's cash and cash equivalents are held with The Saudi British Bank and Bank Albilad, which are rated A1 and A2 (2018: A1 and A2) respectively based on Moody's ratings.

Allowance for expected credit loss

Impairment on investments at FVOCI have been measured on a 12-month and lifetime expected loss basis and reflect the maturities of the exposures. The Fund considers that these exposures have low credit risk based on the external credit ratings of the counterparties.

12-month probabilities of default are based on Moody's transition matrix. Loss given default parameters generally reflect an assumed recovery rate of 50%. However, if the asset were credit-impaired, then the estimate of loss would be based on a specific assessment of expected cash shortfalls and on the original effective interest rate.

As at the reporting date, the Fund has recorded expected credit loss amounting to SAR 271,048 (31 December 2018: Nil).

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 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 on Saudi stock markets. 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.

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17 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 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.

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 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 10% 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.

	30 June 2019	(Unaudited)	31 December 2018	(Audited)
<i>Net gain / (loss) on investments held at FVTPL</i>	+ 10%	30,738,308	+ 10%	30,910,544
	- 10%	(30,738,308)	- 10%	(30,910,544)

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

18 LAST VALUATION DAY

The last reported valuation day of the period was 26 June 2019 (2018: 31 December 2018) and the dealing net assets value on this day was SR 17.66 per unit (31 December 2018: SR 16.42). The IFRS net assets value per unit on 30 June 2019 was SR 17.66 (31 December 2018: SR 16.42).

19 SUBSEQUENT EVENTS

There were no events subsequent to the reporting date which require adjustments of or disclosure in the interim condensed financial statements or notes thereto except as disclosed in note 2 of these interim condensed financial statements.

20 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Board on 3 Dhul Hijjah 1440H (corresponding to 4 August 2019).