

Annual Report  
(HSBC MSCI Tadawul 30 Saudi ETF) 2019

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



## Contents

<b>1. Management Information .....</b>	<b>3</b>
<b>2. Fund Information .....</b>	<b>4</b>
<b>3. Fund Manager .....</b>	<b>6</b>
<b>4. Custodian Statement.....</b>	<b>8</b>
<b>5. Certified Accountant Statement .....</b>	<b>8</b>

## 1. Management Information

<b>A. Fund Name</b>	HSBC MSCI Tadawul 30 Saudi ETF
<b>B. Fund Manager</b>	
<b>Name</b>	HSBC Saudi Arabia
<b>Address</b>	HSBC Building 7267, Olaya Street (Al-Murooj District) Riyadh 12283-2255, Kingdom of Saudi Arabia. Phone: 920022688 Fax: +96612992385 Website: www.hsbcSaudi.com
<b>C. Fund Sub-Manager (if any)</b>	
<b>Name</b>	<b>None</b>
<b>Address</b>	
<b>D. Fund Advisor (if any)</b>	
<b>Name</b>	<b>None</b>
<b>Address</b>	
<b>E. Custodian</b>	
<b>Name</b>	HSBC Saudi Arabia
<b>Address</b>	HSBC Building 7267, Olaya Street (Al-Murooj District) Riyadh 12283-2255, Kingdom of Saudi Arabia. Phone: 920022688 Fax: +96612992385 Website: www.hsbcSaudi.com
<b>Responsibilities</b>	<ul style="list-style-type: none"><li>▪ Safeguarding the Fund's assets</li><li>▪ Safeguarding all necessary documents that support the performance of its contractual obligations towards the fund.</li><li>▪ Depositing the revenue cash amounts of the Fund in the account of the fund.</li><li>▪ Managing the cash transaction of the Fund, including deducting the investment amounts and the expenses of the Fund according to Terms and Conditions of the Fund</li><li>▪ The custodian shall be liable for holding and safeguarding the Fund's assets for the benefit of unit holders</li></ul>
<b>F. Certified Accountant</b>	
<b>Name</b>	KPMG Al Fawzan & Al Sadhan Company
<b>Address</b>	KPMG Building, Salahuddin Al Ayoubi Road P.O.Box 92876 Riyadh 11663 Kingdom of Saudi Arabia Tel .: +96612914350

## 2. Fund Information

### A. Investment Objectives and Policies

The Fund is an open-ended investment Fund that aims to achieving a long-term capital growth and aims to achieving a performance similar to the HSBC Saudi 20 ETF Index's by the deduction of fees and expenses and the reduction of the percentage of deviation between the Fund's performance and the performance of the index to the possible minimum.

To achieve the investment goals, the Fund will invest through the inactive management in the securities included in the index with the same proportions included in the index. All securities in which the Fund invests will be listed in the Saudi Stock Exchange "Tadawul."

### B. Policy of Income and Profits Distribution

Profits will not be distributed, instead, they will be added to Fund assets, so that the income and dividends are reinvested to increase the unit value.

### C. Fund Performance

- Fund Performance during the Past Three Years (Saudi Riyal)

	2017	2018	2019
Net assets value of the Fund as at the end of the year	8,115,413	8,791,243	9,055,550
Net holdings value of the unit as at the end of the year	28.9836	31.3973	32.3412
Highest holdings value of the unit	30.5360	33.8600	37.4295
Lowest holdings value of the unit	26.8600	28.6072	29.7002
Number of units issued as at the end of the year	280,000	280,000	280,000
Distributed profit value for each unit (if any)			-
Expenses rates	0.75%	0.81%	0.80%

- Fund Returns

	One year	Three years	Five years
Fund Return	3.01%	15.83%	14.99%

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fund return	N/A	3.34%	13.01%	27.61%	-4.65%	-13.84%	15.22%	3.81%	8.33%	3.01%

- Value of Services and Commissions

Type of Expenses or Commission	Value in Saudi riyal	Rate of Fund Average Assets
Subscription fees	-	-
Fund management fees (Including value added tax)	73,730.49	0.79%
Custodian fees	-	-
Certified accountant fees	-	-
Independent board members compensations	-	-
Regulatory fees	-	-
Index license fee	-	-
Borrowing Fees	-	-
Sharia Purification Fees	761.55	0.0081%
Transaction Charges	5,531.15	0.06%

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

No material changes affected Fund performance during year 2019.

#### E. Any Changes to Fund Terms and Conditions during the Period

Date	Fund name	Change
27 Jan 2019	HSBC MSCI Tadawul 30 Saudi ETF	- Resignation of Fund Board member Mr. Ihsan Abbas Bafakih, - independent member
7 Aug 2019	HSBC MSCI Tadawul 30 Saudi ETF	- Assigning a Fund Board member Mr. Abdul Rahman Al-Medaimagh- independent member
20 November 2019	HSBC MSCI Tadawul 30 Saudi ETF	- Changing the Fund name and Benchmark Index to be compatible with the new strategy of the Fund - Amendment in the paragraph of services and commissions value and fees - Amendment of glossary - Updating the information of the board of directors of the Fund manager Amendment of the approval type of the unit holders to match the Fund's category

## F. Any Pricing or Evaluation Errors during The Period

Valuation Date	Reason of Error and Description	Ratio of Change in the Fund's Net Asset Value	Impact	Corrective Action
4 April 2019 7 April 2019	Due to the change of the equity price of Al-Rajhi Bank after the increase of capital on 4 April 2019 A.D, and the depositing of bonus /additional shares in the Fund's portfolio after two working days that lead to an error in the calculation of the Fund's net asset value till the date of the deposit of equities; therefore, the net value of the benchmark assets were calculated in a way that did not reflect the full value of the bonus shares during trading hours on 4 and 7 April 2019 A.D.	6.9%	Error in the calculation of the announced value price of the benchmark assets	Traders of the Fund units and those negatively affected will be compensated during this period

## 3. Fund Manager

### A. Investment Activities of the Period

The Fund is a fund for traded indexes that follows the strategy of the investment of its fund. It inactively invests in the constituents of the index portfolio of the same value. Index constituents are revised at the end of each quarter and any updates are reflected on the Fund's portfolio. It is worth noting that during the last quarter of the year the index was changed during the period from the Saudi Tadawul 20 to MSCI Tadawul 30.

### B. Irregularities of Investment Restrictions

None.

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

During 2019, MSCI Tadawul 30 Index for Saudi equities increased to 4.68%. Year of 2019 has witnessed an important event for the Saudi market as it joined the MSCI Emerging Markets Index. On the other hand, 2019 was characterized by fluctuation as the Saudi market index reached its highest point during the year at 9,361.96 and closed the year at 8,389.23.

During the year, the fund increased 3.01%.

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

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

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

None

**F. Special Commission Received by Fund Manager during the Period**

The Fund manager receives the reports and researches issued by the broker through whom operations are carried out. Reports and researches are available for all broker clients. This is in addition to arranging meetings with the listed companies upon the request of Fund manager to meet them.

**G. Investment of Fund Manager or Any Counterpart of the Fund**

None.

**H. Annual Voting Practices**

None.

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

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

**J. Fund Board's Annual Report**

<i>Subject</i>	<i>Approval Details</i>	<i>Meeting Date</i>
<b><i>Financial Statement of Investment Funds</i></b>	The authorization of Head of Asset Management and Chief Financial Officer of HSBC Saudi Arabia Company to review and sign financial audit reports of HSBC Saudi Arabia funds.	4 February 2019
<b><i>Approval of Dealers</i></b>	The Fund Board approved the dealer list with whom the Fund can trade under the independent custody form	2 July 2019

<b>Appointment of Tadawul Representatives</b>	According to the listing rules, HSBC Saudi Arabia appoints two persons as authorized representatives for HSBC MSCI Tadawul 30. The Chief Operations Officer in Assets Management Division and product head were appointed as authorized representatives approved by the Fund Board.	11 December 2019
<b>Approval on Financial Auditor</b>	The Fund Board approved the appointment of KPMG Company to be the financial auditor of the investment funds of HSBC Saudi Arabia Company of for the year 2019.	11 December 2019

#### 4. Custodian Statement

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

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

Not applicable, the responsibilities assigned to the Custodian do not include the opinion thereof.

#### 5. Certified Accountant Statement

The Statement is based on Certified Accountant’s opinion as follows:

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

Annex 1 is affixed on page 2 of the Fund’s financial statements- the opinion of the Certified Accountant.

- The financial statements are fair and true for the net income, net profits, losses of the investment Fund assets for the accounting period of such statements. NA



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

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

Annex 1 is affixed on page 2 of the Fund's financial statements-  
the opinion of the Certified Accountant.

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**  
together with the  
**INDEPENDENT AUDITOR'S REPORT**

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

<b>INDEX</b>	<b>PAGE</b>
Independent auditor's report	1
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in net assets (equity) attributable to the unitholders	6
Statement of cash flows	7
Notes to the financial statements	8



**KPMG Al Fozan & Partners**  
**Certified Public Accountants**  
 Riyadh Front, Airport 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 auditor's report

To the unitholders of HSBC MSCI Tadawul 30 Saudi ETF

### Opinion

We have audited the financial statements of **HSBC MSCI Tadawul 30 Saudi ETF** ("the Fund"), managed by HSBC Saudi Arabia ("the Fund Manager"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in net assets (equity) attributable to the unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

### Basis for opinion

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

### Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<p><b>Valuation of investments at fair value through profit or loss</b></p> <p>Investments at fair value through profit or loss ("FVTPL") comprise of a portfolio of listed equity investments. These investments are measured at fair value with the corresponding fair value change recognised in statement of comprehensive income. The fair value of these financial instruments is determined through obtaining market observable prices, as these are actively traded equity investments.</p> <p>The valuation of the Fund's FVTPL investment is considered a key audit matter given the amount of audit attention required due to its scale and significance to the financial statements.</p> <p><i>Refer to note 8 for accounting policy for investments and Note 11 for Investments at fair value through profit or loss disclosure.</i></p>	<p>We performed the following audit procedures in relation to the valuation of investments:</p> <ul style="list-style-type: none"> <li>Assessed the design and implementation, and tested the operating effectiveness of the key controls relating to investment valuations;</li> <li>Agreed the carrying value of investments to the underlying system transaction report;</li> <li>Tested the integrity of the system transaction report;</li> <li>Obtained market prices as at 31 December 2019 from external sources for all listed equity investments held by the Fund and recalculated the fair value of these investments as at 31 December 2019; and</li> <li>Assessed the adequacy of the disclosures in the financial statements.</li> </ul>



# Independent auditor's report

To the unitholders of HSBC MSCI Tadawul 30 Saudi ETF (continued)

## Other information

The Fund Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and 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 and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.



# Independent auditor's report

To the unitholders of HSBC MSCI Tadawul 30 Saudi ETF (continued)

## Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **HSBC MSCI Tadawul 30 Saudi ETF** ("the Fund").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

1 Shaban 1441H  
Corresponding to: 25 March 2020



**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Statement of financial position**  
**As at 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

	<i>Note</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
<b>Assets</b>			
Cash at bank	<i>10</i>	<b>46,787</b>	18,395
Investments at fair value through profit or loss (FVTPL)	<i>11</i>	<b>9,054,323</b>	8,773,338
<b>Total assets</b>		<b>9,101,110</b>	8,791,733
<b>Liabilities</b>			
Accrued expenses	<i>13</i>	<b>488</b>	490
<b>Total liabilities</b>		<b>488</b>	490
<b>Net assets (equity) attributable to the unitholders</b>		<b>9,100,622</b>	8,791,243
Units in issue (numbers)		<b>280,000</b>	280,000
Net asset (equity) value per unit – Dealing	<i>17</i>	<b>32.50</b>	31.40
Net asset (equity) value per unit - IFRS	<i>17</i>	<b>32.50</b>	31.40

The accompanying notes 1 to 19 form integral part of the financial statements.

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Statement of comprehensive income**  
**For the year ended 31 December**  
(Amounts in Saudi Arabian Riyal)

	<i>Note</i>	<u>2019</u>	<u>2018</u>
<b>Investment income</b>			
Net gains from investments at FVTPL	<i>12</i>	<b>59,057</b>	426,858
Dividend income		<b>324,814</b>	318,762
<b>Total income</b>		<b>383,871</b>	745,620
<b>Expenses</b>			
Management fees	<i>14</i>	<b>73,730</b>	69,715
Other expenses		<b>762</b>	75
<b>Total expenses</b>		<b>74,492</b>	69,790
<b>Net income for the year</b>		<b>309,379</b>	675,830
Other comprehensive income for the year		--	--
<b>Total comprehensive income for the year</b>		<b>309,379</b>	675,830

The accompanying notes 1 through 19 form an integral part of the financial statements.



**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Statement of changes in net assets (equity) attributable to the unitholders**  
**For the year ended 31 December**  
(Amounts in Saudi Arabian Riyal)

	<u>2019</u>	<u>2018</u>
<b>Net assets (equity) attributable to unitholders at the beginning of the year</b>	<b>8,791,243</b>	8,115,413
<b>Net income for the year</b>	<b>309,379</b>	675,830
<i>Contributions and redemptions by the unitholders:</i>		
Proceeds from issuance of units	--	--
Payments for redemption of units	--	--
Net change from unit transactions	--	--
<b>Net assets (equity) attributable to unitholders at the end of the year</b>	<b>9,100,622</b>	8,791,243

**UNIT TRANSACTIONS:**

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

	<u>2019</u>	<u>2018</u>
	<i>(In numbers)</i>	
<b>Units at beginning of the year</b>	<b>280,000</b>	280,000
Units issued during the year	--	--
Units redeemed during the year	--	--
Net change in units	--	--
<b>Units as at end of the year</b>	<b>280,000</b>	280,000

The accompanying notes 1 through 19 form an integral part of the financial statements.

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Statement of cash flows**  
**For the year ended 31 December**  
(Amounts in Saudi Arabian Riyal)

	<i>Note</i>	<u>2019</u>	<u>2018</u>
<b>Cash flow from operating activities</b>			
Net income for the year		<b>309,379</b>	675,830
<i>Adjustment to reconcile net income to net cash from operating activities:</i>			
Unrealized losses / (gains) on investments at FVTPL	<i>12</i>	<b>401,578</b>	(399,764)
		<b>710,957</b>	276,066
<b>Net change in operating assets and liabilities</b>			
Increase in investments at FVTPL		<b>(682,563)</b>	(266,400)
(Decrease) / increase in accrued expenses		<b>(2)</b>	490
<b>Net cash generated from operating activities</b>		<b>28,392</b>	10,156
<b>Net increase in cash and cash equivalents</b>		<b>28,392</b>	10,156
Cash and cash equivalents at beginning of the year	<i>10</i>	<b>18,395</b>	8,239
<b>Cash and cash equivalents at end of the year</b>		<b>46,787</b>	18,395

The accompanying notes 1 through 19 form an integral part of the financial statements.

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**1 GENERAL**

HSBC MSCI Tadawul 30 Saudi ETF (“the Fund”) is an exchange traded fund created through an agreement between HSBC Saudi Arabia (“the Fund Manager”) and the investors established by virtue of the approval of the Capital Market Authority on 27 Shawwal 1432H corresponding to 25 September 2011. The objective of the Fund is to achieve capital growth over the long-term by replicating the performance of the HSBC Saudi 30 Equity Index the “Benchmark Index”, which is an index based on free-float market capitalization that tracks the performance of top 30 (by free float adjusted market capitalization) Shariah compliant Saudi equities listed on Tadawul. The Fund achieves its objective by passively investing in the shariah compliant listed Saudi equities in order to achieve the results of the Benchmark Index.

The Fund is managed by the Fund Manager who also is the market maker and administrator. All income is reinvested in the Fund and is reflected in the unit price.

During the year ended 31 December 2019, 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 name and strategy of the Fund, whereby the Fund was renamed from “HSBC Saudi 20 ETF” to “HSBC MSCI Tadawul 30 Saudi ETF” and strategy was updated to perform on higher benchmark index. On 20<sup>th</sup> November 2019, the Fund Manager announced on Tadawul and the Fund Manager website that the effective date of amendment to the new strategy will be 22 December 2019. Subsequently on 22 December 2019, the Fund strategy was changed to track the new index.

**2 REGULATING AUTHORITY**

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

**3 PRIMARY MARKET OPERATION (CREATION AND REDEMPTION OF UNITS)**

The primary market operations are only carried out by the Fund Manager who is the authorized Market Maker. The Creation and Redemption activities are done on the basis of blocks of exchange traded fund (ETF) units (*for the Fund, one block equals 10,000 ETF Units*), referred to Creation Unit and Redemption Unit respectively. The process of creation and redemption of ETF units is on an in-kind basis whereby the Fund Manager and the Market Maker interexchange ETF Units with the Fund and the basket of assets, through the custodian, for the purpose of creation and redemption of ETF units. The created units are then freely floated on Tadawul for public trading.

**4 BASIS OF PREPARATION**

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

During 2018, the Fund Board appointed Albilad Capital as the custodian of the Fund to comply with the Investment Fund Regulations published by the Capital Market Authority. However due to system limitations, arrangement for the transfer of the Fund assets’ custody to Albilad Capital is still in process and therefore the Fund Manager continued to provide custodial services to the Fund for the year ended 31 December 2019.

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**5 FUNCTIONAL AND PRESENTATION CURRENCY**

The financial statements are presented in Saudi Arabian Riyal (“SAR”), which is also the Fund’s functional currency.

**6 BASIS OF MEASUREMENT**

The financial statements have been prepared on a historical cost basis, (except for investments at fair value through profit or loss (“FVTPL”), which are stated at their fair value) using accrual basis of accounting.

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

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

**7 USE OF JUDGEMENTS AND ESTIMATES**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

**8 SIGNIFICANT ACCOUNTING POLICIES**

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

***Subscription and redemption of units***

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

***Trade date accounting***

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

***Net asset (equity) value***

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

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenue from contracts with customers***

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

***Dividend income***

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

***Net gain / (losses) from investments at FVTPL***

Net gains / (losses) from investments at FVTPL includes all realized and unrealized fair value changes and foreign exchange differences (if any).

Net realized gain from investments at FVTPL is calculated using the weighted average cost 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 comprehensive 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 for in the accompanying financial statements.

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

***Fair value measurement***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market at a mid-price, because this price provides a reasonable approximation of the exit price.

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

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

*Fair value measurement (continued)*

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

*Financial assets and financial liabilities*

*Recognition and initial measurement*

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

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

*Classification*

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

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

- the asset is held within a business model whose objective is to hold 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.

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Financial assets and financial liabilities (continued)*

*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 realizing 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 Funds' stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

*Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission / Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

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

*Reclassifications*

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

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Financial assets and financial liabilities (continued)*

*Derecognition*

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in statement of comprehensive income.

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

*Offsetting*

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

*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.

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

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2019 and accordingly adopted by the Fund, as applicable:

<u><i>Standard / Amendments</i></u>	<u><i>Description</i></u>
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long term interests in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS 2015 - 2017 cycle
IFRS 9	Amendments regarding prepayment features with negative compensation and modification of financial liabilities



**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**9 IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD (CONTINUED)**

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

*Standards issued but not yet effective*

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

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020
IFRS 7 and IFRS 9	Pre – replacement issues in the context of the IBOR reforms	1 January 2020
Amendments to IAS 1	Classification of liabilities	1 January 2022

**10 CASH AT BANK**

Cash at bank comprise of balances 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 comprise the following sector exposures as at reporting date:

	<i>31 December 2019</i>		<i>31 December 2018</i>	
	<i>Cost</i>	<i>Fair value</i>	<i>Cost</i>	<i>Fair value</i>
<i>Equities</i>				
Banks	<b>3,809,599</b>	<b>4,477,859</b>	1,869,967	2,732,969
Materials	<b>2,103,039</b>	<b>2,197,796</b>	2,589,830	3,132,287
Telecommunication Services	<b>676,940</b>	<b>757,804</b>	899,950	868,677
Energy	<b>599,298</b>	<b>604,336</b>	--	--
Food & Beverage	<b>243,509</b>	<b>322,831</b>	555,257	503,094
Utilities	<b>258,271</b>	<b>254,610</b>	--	--
Retailing	<b>65,442</b>	<b>147,218</b>	151,446	323,456
Real Estate Management & Development	<b>55,383</b>	<b>87,967</b>	925,720	1,004,274
Insurance	<b>71,710</b>	<b>71,024</b>	--	--
Capital Goods	<b>149,142</b>	<b>67,757</b>	421,421	208,581
Health Care Equipment & Services	<b>63,820</b>	<b>65,121</b>	--	--
<b>Total</b>	<b>8,096,153</b>	<b>9,054,323</b>	7,413,591	8,773,338

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

	<i>2019</i>	<i>2018</i>
Realised gain for the year	<b>460,635</b>	27,094
Unrealised (loss) / gain for the year	<b>(401,578)</b>	399,764
<b>Total</b>	<b>59,057</b>	426,858

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

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**13 ACCRUED EXPENSES**

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

**14 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 HSBC Saudi Arabia (being the Fund Manager, the Fund Board, custodian and administrator of the Fund) and The Saudi British Bank (“SABB”) (being significant shareholder of the Fun Manager).

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

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 0.75% of Net assets value (2018: 0.75% 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 statements of the Fund, as investment to the Fund are always net of subscription fees.

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

Related party	Nature of transactions	Amount of transaction during the year		Closing Balance	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
HSBC Saudi Arabia (Fund Manager)	Fund management fee	<b>73,730</b>	69,715	<b>488</b>	490
	Cash at bank	--	--	<b>46,787</b>	18,395

As at 31 December 2019, 228,680 units (31 December 2018: 231,321 units) having market value of SAR 7.43 million (31 December 2018: SAR 7.26 million) were held by the Fund Manager.

Board member compensation and other fees such as custodian fee and administration fee during the year has been borne and paid by HSBC Saudi Arabia (“the Fund Manager”).

Cash at bank are deposited in a current account maintained with The Saudi British Bank under the name of the Fund Manager. No special commission is accrued on this balance.

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**15. 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.

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 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 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.

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

	<i>31 December</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
Cash at bank	<u>46,787</u>	<u>18,395</u>

The Fund's cash is held with The Saudi British Bank, which is rated A1 (2018: A1) based on Moody's ratings.

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**15 FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Credit risk (continued)*

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

Allowance for expected credit loss

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

*Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities. However, the Fund is an exchange traded fund and accordingly no issuance and redemptions can be facilitated.

*Market risk*

Market Risk is the risk that changes in market variables such as 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 by 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.

	2019		2018	
<i>Net gain / (loss) on investments held at</i>	+ 5%	452,716	+ 5%	438,667
<i>FVTPL</i>	- 5%	(452,716)	- 5%	(438,667)

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

**15 FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Market risk (continued)*

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in Saudi Arabian Riyal. In addition, foreign exchange gains and losses are not significant, as the Fund's foreign currency transactions are primarily in US dollars which is pegged with the Saudi Riyal. Conditions do not form part of the financial statements.

**16 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

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

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market at a market price, because this price reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Fund recognizes transfer between levels of fair value at the end of the reporting period during which the change has occurred.

The fair value hierarchy has the following levels:

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

Fair value hierarchy – Financial instruments measured at fair value

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

	Carrying value	31 December 2019			Total
		-----Fair value-----			
		Level 1	Level 2	Level 3	
Investments at FVTPL	9,054,323	9,054,323	--	--	9,054,323
Total	9,054,323	9,054,323	--	--	9,054,323

**HSBC MSCI Tadawul 30 Saudi ETF**  
**(An exchange-traded fund)**  
**Managed by HSBC Saudi Arabia**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**  
(Amounts in Saudi Arabian Riyal)

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

	Carrying value	31 December 2018			Total
		-----Fair value-----			
		Level 1	Level 2	Level 3	
Investments at FVTPL	8,773,338	8,773,338	--	--	8,773,338
<b>Total</b>	<b>8,773,338</b>	<b>8,773,338</b>	<b>--</b>	<b>--</b>	<b>8,773,338</b>

During the year, there has been no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

Other financial instruments include accrued expenses. These are short-term financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

**17 LAST VALUATION DAY**

The last valuation day of the year was 31 December 2019 (2018: 31 December 2018) and the dealing net assets value on this day was SR 32.50 per unit (2018: SR 31.40). The IFRS net assets value per unit on 31 December 2019 was SR 32.50 (31 December 2018: SR 31.40).

**18 SUBSEQUENT EVENT**

Since early January 2020, the coronavirus (“COVID-19”) outbreak has spread across globally, causing disruption to business and economic activity. The COVID-19 pandemic has significantly impacted the stock markets around the world to date and may continue to do so in the coming months of 2020, whereby potentially impacting the earnings and cash flows of the Fund. The Fund Manager considers this outbreak to be a non-adjusting post balance sheet event. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Fund Manager will evaluate the potential impacts to the Fund and respond accordingly.

**19 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Fund Board on 1 Shaban 1441H (corresponding to 25 March 2020).