

Annual Report

-HSBC Global Emerging Markets Equity Fund- 2020

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



INTERNAL

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1. Management Information

A.	Fund name	HSBC Global Emerging Markets Equity Fund
B.	Fund Manager	
	Name:	HSBC Saudi Arabia
	Address:	HSBC Building 7267, Olaya Street (Al-Murooj District) Riyadh 12283-2255, Kingdom of Saudi Arabia. Phone: 920022688 Fax: +96612992385 Website: www.hsbcSaudi.com
C.	Fund Sub-Manager (if any)	
	Name:	HSBC Global Asset Management (France) Limited
	Address:	Immeuble Coeur Défense 110, esplanade du Général Charles de Gaulle 92400 Courbevoie - La Défense 4 Phone: +33 1 41 02 51 00 Fax: +33 1 41 02 47 12
D.	Custodian	
	Name:	HSBC Global
	Address:	HSBC Financial Instrument Services Department 8 Canada Square, London E14 5HQ, United Kingdom Phone: +442079918888 Website: www.hsbc.com
	Responsibilities	<ul style="list-style-type: none">• Safeguarding the Fund's assets• Safeguarding all necessary documents that support the performance of its contractual obligations towards the fund.• Depositing the Return cash amounts of the Fund in the account of the fund.• 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• The custodian shall be liable for holding and safeguarding the Fund's assets for the benefit of unit holders
E.	Certified Accountant	
	Name	KPMG Al Fawzan & Al Sadhan Company
	Address	KPMG Building, Salahuddin Al Ayoubi Road P.O.Box 92876 Riyadh 11663 Kingdom of Saudi Arabia Tel .: +96612914350

2. Fund Information

A. Investment objectives and policies

The Fund is an open investment fund that aims at achieving long-term capital growth through investing in Shariah-compliant portfolio that includes company stocks listed in emerging stock markets and are subject to the regulations of the markets they are listed therein. The Fund also invests in company stocks listed in non-emerging global stock markets, provided that such companies have a main business or investments in emerging markets and in compliance with Islamic Shariah standards.

A composite index consisting of Dow Jones P-50 Average and Dow Jones Emerging Markets Index will be used as a benchmark to measure the Fund performance.

B. Policy of Income and Profit Distribution

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

C. Fund performance

• Fund performance over the past three years (US Dollars)

	2018	2019	2020
Net assets value of the Fund as at the end of the year	15,598,124	15,276,075	20,192,562
Net holdings value of the unit as at the end of the year	8.8398	10.8976	12.9094
Highest holdings value of the unit	10.9935	10.8976	12.9094
Lowest holdings value of the unit	8.6530	8.7270	7.8482
Number of units issued at the end of the year	1,764,540	1,401,788	1,564,176
Distributed profits value for each unit (if any)	-	-	-
Expenses rates	2.95%	%2.47	1.85%

• Fund Returns

	One year	Three years	Five years
Fund Return	18.46%	26.11%	87.44%

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fund Return	-19.62%	11.64%	-5.91%	-5.11%	-12.03%	5.95%	40.29%	-13.65%	23.28%	18.46%

- **Value of Services and Commissions**

Type of expenses or commission (including VAT if applicable)	Value in USD	Rate of Fund assets average
Subscription fees	7,631.30	Up to 2 % of subscription fees
Fund management fees	304,807.330	%1.783
Custodian fees	-	-
Certified Accountant fees	-	-
Independent board members compensations	-	-
Regulatory fees	-	-
Index license fees	-	-
Banking fees	456.42	%0.00267
Sharia purification fees	11,802.98	0.069%

D. Any Material Changes Affect Fund Performance

There were no material changes in the Fund during the year 2020.

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

Date	Fund name	Change
11 Mar 2020G	HSBC Global Emerging Markets Equity Fund	– Adding Areej Almokbel to the board of directors of the fund
21 May 2020G	HSBC Global Emerging Markets Equity Fund	– Removing Areej Almokbel from the board of directors of the fund

F. Any Pricing or Evaluation Errors during the Period

None.

3. Fund Manager

A. Investments Activities during the period

During the year, among others, the Fund invested across all the major Emerging Markets which are part of the Dow Jones Islamic Emerging Markets index.

B. Irregularities of Investment Restrictions

None.

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

On an overall basis, emerging market equities weathered the turbulence of 2020 relatively well. The ability of some Asian countries to control the spread of the virus helped their economies, whilst the Latam countries on an overall level lagged, in controlling the spread of the virus, compared to their Asian counterparts. Despite the turbulence experienced by Emerging markets in 2020, MSCI Emerging markets returned to its level witnessed at start of the year (2020) by July, 2020; whereas, MSCI China returned to its level witnessed at start of the year (2020) by May, 2020. During the year, the fund posted an increase of 18.46% versus an increase of 27.26% in the benchmark.

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

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

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

None.

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

None.

G. Investment of Fund Manager or any counterparty in the Fund

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

H. Annual voting practices

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 Annual report

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

4. Custodian Statement

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

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

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

5. Certified Accountant Statement

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

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

Anne1 x is affixed on page 2 of the Fund's financial statements- the opinion of the Certified Accountant.

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

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

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

Annex1 is affixed on page 2 of the Fund's financial statements- the opinion of the Certified Accountant.

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

HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
FINANCIAL STATEMENTS
For the year ended 31 December 2020

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KPMG Professional Services

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

Commercial Registration No 1010425494

كي بي إم جي للاستشارات المهنية

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

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent auditor's report

To the unitholders of HSBC Global Emerging Markets Equity Fund

Opinion

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

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

Basis for opinion

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

Emphasis of matter

We draw attention to note 6 of the financial statements which describes that the going concern basis of preparing the financial statements has not been used because the Fund Board has resolved to liquidate the Fund. Our opinion is not modified in respect of this matter.

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

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

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

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



Independent auditor's report

To the unitholders of HSBC Global Emerging Markets Equity Fund (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

KPMG Professional Services



Hani Hamzah A. Bedairi
License no. 460

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



HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Statement of financial position
As at 31 December 2020
(Amounts in US Dollar)

	<i>Note</i>	<i>As at 31 December 2020</i>	<i>As at 31 December 2019</i>
Assets			
Cash at bank	<i>10</i>	500,187	812,155
Investments at fair value through profit or loss (FVTPL)	<i>11</i>	19,633,837	14,354,459
Receivables and advances		214,209	188,717
Total assets		20,348,233	15,355,331
Liabilities			
Accrued expenses	<i>13</i>	155,670	79,256
Total liabilities		155,670	79,256
Net assets (equity) attributable to the unitholders		20,192,563	15,276,075
Units in issue (numbers)		1,564,176	1,401,788
Net assets (equity) value per unit – Dealing	<i>17</i>	12.91	10.90
Net assets (equity) value per unit - IFRS	<i>17</i>	12.91	10.90

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

HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Statement of comprehensive income
For the year ended 31 December
(Amounts in US Dollar)

		<i>For the year ended 31 December</i>	
	<i>Note</i>	<u>2020</u>	<u>2019</u>
Investment income			
Net gain from investments at FVTPL	12	2,583,558	2,975,478
Dividend income		300,604	373,842
Exchange (loss) / gain, net		<u>(16,252)</u>	<u>34,135</u>
Total investment income		2,867,910	3,383,455
Expenses			
Management fees	14	434,939	369,134
Other expenses		<u>11,803</u>	<u>10,547</u>
Total expenses		446,742	379,681
Net income for the year		<u>2,421,168</u>	<u>3,003,774</u>
Other comprehensive income for the year		--	--
Total comprehensive income for the year		<u>2,421,168</u>	<u>3,003,774</u>

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

HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Statement of changes in net assets (equity) attributable to unitholders
For the year ended 31 December
(Amounts in US Dollar)

	<i>For the year ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
Net assets (equity) attributable to unitholders at the beginning of the year	15,276,075	15,598,124
Net income for the year	2,421,168	3,003,774
Contributions and redemptions by the Unitholders:		
Proceeds from issuance of units	8,043,026	1,064,358
Payments for redemption of units	(5,547,706)	(4,390,181)
Net change from unit transactions	2,495,320	(3,325,823)
Net assets (equity) attributable to the unitholders at the end of the year	20,192,563	15,276,075

UNIT TRANSACTIONS:

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

	<i>For the year ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
	<i>(In numbers)</i>	
Units at the beginning of the year	1,401,788	1,764,540
Units issued during the year	713,101	105,507
Units redeemed during the year	(550,713)	(468,259)
Net increase / (decrease) in units	162,388	(362,752)
Units at the end of the year	1,564,176	1,401,788

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

HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Statement of cash flows
For the year ended 31 December
(Amounts in US Dollar)

		<i>For the year ended 31 December</i>	
	<i>Note</i>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities			
Net income for the year		2,421,168	3,003,774
<i>Adjustment for:</i>			
Unrealized gains on investments at FVTPL	12	<u>(2,435,986)</u>	<u>(2,811,062)</u>
		(14,818)	192,712
Net changes in operating assets and liabilities			
(Increase) / decrease in investments at FVTPL		(2,843,392)	3,074,487
Increase in receivables and advances		(25,492)	(46,280)
Increase / (decrease) in accrued expenses		76,414	<u>(1,984,248)</u>
Net cash (used in) / generated from operating activities		(2,807,288)	1,236,671
Cash flows from financing activities			
Proceeds from issuance of units		8,043,026	1,064,358
Payments for redemption of units		<u>(5,547,706)</u>	<u>(4,390,181)</u>
Net cash generated / (used in) financing activities		2,495,320	(3,325,823)
Net decrease in cash and cash equivalents		(311,968)	(2,089,152)
Cash and cash equivalents at the beginning of the year		812,155	2,901,307
Cash and cash equivalents at the end of the year		<u>500,187</u>	<u>812,155</u>

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

HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Notes to the financial statements
For the year ended 31 December 2020
(Amounts in US Dollar)

1 GENERAL

HSBC Global Emerging Markets Equity Fund (“the Fund”) is an investment fund established through the agreement between HSBC Saudi Arabia (“the Fund Manager”) and the investors (“the Unitholders”).

The objective of the Fund is to provide capital growth by investing in a diversified portfolio of Shariah compliant equities with an official listing on a major stock exchange or other regulated markets of emerging market countries, as well as in equities of companies listed on other stock exchanges and regulated markets which carry out a substantial part of their economic activities in an emerging market country.

The Fund is managed by the Fund Manager who also acts as the administrator of the Fund. The Fund Manager has appointed HSBC Global Asset Management (France) Limited as the sub-investment advisor of the Fund in accordance with the Terms and Conditions of the Fund. Albilad Capital is the custodian of the Fund.

The Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The main changes in the Terms and Conditions relates to the enhancement of investment objectives. The Fund updated its terms and conditions which were approved by the CMA on 11 Rabi Al-Awwal 1442H (corresponding to 28 October 2020).

2 REGULATING AUTHORITY

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

3 SUBSCRIPTION/ REDEMPTION (DEALING DAY AND VALUATION DAY)

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

4 BASIS OF PREPARATION

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

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, custody of the assets’ has not been transferred to Albilad Capital.

FUNCTIONAL AND PRESENTATION CURRENCY

5

The financial statements are presented in US Dollars (USD) which is also the functional currency of the Fund.

HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Notes to the financial statements
For the year ended 31 December 2020
(Amounts in US Dollar)

6 BASIS OF MEASUREMENT

Subsequent to year end, the Fund Board have resolved to liquidate the Fund on 4 March 2021. Accordingly, these financial statements have been prepared on a non-going concern basis. Legal proceedings to liquidate the Fund are expected to start in due course.

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

7 USE OF JUDGEMENTS AND ESTIMATES

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

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

8 SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency

Transactions in foreign currencies are translated into USD at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are also translated into USD at the exchange rate at the reporting date.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income as net foreign exchange gains or losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain from financial instruments at FVTPL.

Net Asset (Equity) Value

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

Trade date accounting

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

HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Notes to the financial statements
For the year ended 31 December 2020
(Amounts in US Dollar)

8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subscription and redemption of units

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

Revenue from contracts with customers

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

Net gain from financial instruments at FVTPL

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

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

Dividend income

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

Management fees

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

Zakat and tax

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

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

Fair value measurement

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

HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Notes to the financial statements
For the year ended 31 December 2020
(Amounts in US Dollar)

8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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 minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

Financial assets and financial liabilities

Recognition and initial measurement

Financial assets and financial liabilities at FVTPL are initially recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

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

Classification of financial assets

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

Financial asset at amortized cost

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

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

HSBC GLOBAL EMERGING MARKETS EQUITY FUND
(An open-ended mutual fund)
Managed by HSBC Saudi Arabia
Notes to the financial statements
For the year ended 31 December 2020
(Amounts in US Dollar)

8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Financial asset at fair value through other comprehensive income (“FVOCI”)

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

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

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

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

All other financial assets are classified as measured at FVTPL.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual commission revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund’s managers;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund’s stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

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 period after the Fund changes its business model for managing financial assets.

Classification of financial liabilities

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

Derecognition

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in 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 offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

Cash and cash equivalents

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

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8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Redeemable units

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

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

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

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

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

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

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

Standards issued but not yet effective

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

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

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10. CASH AT BANK

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

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

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

	<i>As at 31 December 2020</i>		<i>As at 31 December 2019</i>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
<i>Equities by country</i>	4,797,016	7,826,633	3,312,632	4,762,963
Cayman Islands	2,247,688	3,381,531	1,783,701	1,957,033
India	1,366,454	2,385,550	1,086,685	1,588,917
Taiwan	1,692,979	1,762,867	1,406,415	1,907,948
Brazil	1,627,165	1,708,767	1,174,586	1,663,741
Russia	663,109	777,428	1,000,996	912,203
Hong Kong	287,152	506,473	157,637	252,546
Netherlands	419,577	399,253	305,643	323,452
Malaysia	193,837	279,626	61,883	129,125
Jersey	225,527	211,853	315,664	324,757
China	145,314	173,406	63,769	134,532
Thailand	88,858	100,750	191,748	208,563
Mexico	61,687	61,020	59,600	50,520
Czech Republic	68,592	58,680	64,093	72,448
Philippines	-	-	56,510	65,711
	<u>13,884,955</u>	<u>19,633,837</u>	<u>11,041,562</u>	<u>14,354,459</u>

12. NET GAIN FROM INVESTMENTS AT FVTPL

	<i>For the year ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
Realized gains for the year	147,572	164,416
Unrealized gains for the year	2,435,986	2,811,062
	<u>2,583,558</u>	<u>2,975,478</u>

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

13. ACCRUED EXPENSES

	<i>As at 31 December</i>	
	<u>2020</u>	<u>2019</u>
Management fee payable	112,286	39,677
Shariah purification payable	36,203	31,130
Other payable	7,181	8,449
	<u>155,670</u>	<u>79,256</u>

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14. TRANSACTIONS WITH RELATED PARTIES

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

Related parties of the Fund comprise HSBC Saudi Arabia (being the Fund Manager, the Fund Board, and administrator of the Fund), and The Saudi British Bank (“SABB”) (being significant shareholder of the Fund Manager).

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

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 2.30% of Net assets value (2019: 2.30% of Net assets value). All Fees and expenses related to the management of the Fund including but not limited to custody, administration, audit, regulatory and index fees, etc., are included in the management fee.

Subscription fee up to 2% is not considered in the financial statement of the Fund, as investment to the Fund are always net of subscription fees. The Fund does not charge any redemption fees on redemption of units.

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

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the year</u>		<u>Closing balance as at 31 December</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
HSBC Saudi Arabia (Fund Manager)	Fund management fee	434,939	369,134	112,286	39,677
	Cash at bank	--	--	434,856	672,837
SABB	Cash at bank	--	--	65,331	139,318

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

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14. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Following mutual funds managed by the Fund Manager had transactions in units of the Fund:

<u>Fund name</u>	<u>Year</u>	<u>Amount / Unit</u>	<u>Issuance</u>	<u>Redemption</u>	<u>Closing balance as at 31 December</u>	
HSBC Multi-Assets Defensive Fund	2020	Amounts	210,168	251,643	1,569,075	
		Units	70,324	93,157	121,547	
	2019	Amounts	400,000	716,629	1,573,372	
		Units	37,040	77,512	144,380	
	HSBC Multi-Assets Balanced Fund	2020	Amounts	1,064,973	508,778	7,447,022
			Units	354,648	187,803	576,875
2019		Amounts	--	1,779,216	4,468,286	
		Units	--	192,443	410,030	
HSBC Multi-Assets Growth Fund	2020	Amounts	732,173	458,862	5,384,609	
		Units	242,323	180,018	417,113	
	2019	Amounts	541,907	887,072	3,866,524	
		Units	56,085	95,999	354,810	

Fund 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"*).

15. FINANCIAL RISK MANAGEMENT

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

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

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

Risk management framework

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises of listed equities.

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

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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

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

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

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

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

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

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

	<i>As at 31 December 2020</i>	<i>As at 31 December 2019</i>
Cash at bank	<u>500,187</u>	<u>812,155</u>
Receivables and advances	<u>214,209</u>	<u>188,717</u>
Total exposure to credit risk	<u>714,396</u>	<u>1,000,872</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 counterparties.

Analysis of credit quality

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

Allowance for expected credit losses

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

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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Liquidity risk

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

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions. However the Fund is allowed to borrow in order to satisfy redemptions. The Fund's securities are considered to be readily realizable as they are all listed. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

Market risk

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

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

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in US Dollar (USD), Brazilian Real (BRL), Czech Koruna (CZK), Hong Kong Dollar (HKD), Indonesian Rupiah (IDR), Indian Rupee (INR), Mexican Peso (MXN), Malaysian Ringgit (MYR), Philippine Peso (PHP), Thai Baht (THB), Taiwanese Dollar (TWD), South African Rand (ZAR) and British Pound Sterling (GBP). Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund's financial assets or financial liabilities denominated in currencies other than US Dollars.

The Fund's currency risk is managed on a timely basis by the Fund Manager on a timely basis in accordance with the policies and procedures in place.

Exposure

At the reporting date, the carrying amount of the Fund's net financial assets and financial liabilities held in individual foreign currencies, expressed in US Dollars and as a percentage of its net assets, were as follows:

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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

	<i>As at 31 December 2020</i>		<i>As at 31 December 2019</i>	
	Amount in USD	% of net assets	Amount in USD	% of net assets
HKD	5,516,723	27.32	3,969,847	25.99
TWD	2,757,126	13.65	2,343,500	15.34
BRL	1,782,652	8.83	1,926,388	12.61
INR	1,382,923	6.85	981,291	6.42
MYR	403,334	2.00	326,193	2.14
MXN	100,777	0.50	209,898	1.37
THB	173,406	0.86	134,532	0.88
ZAR	58,704	0.29	87,903	0.58
PHP	--	--	65,711	0.43
CZK	61,086	0.30	57,311	0.38
KRW	2,886	0.01	2,711	0.02
PLN	2,023	0.01	1,991	0.01
GBP	149	--	144	--
HUF	2	--	243	--
	12,241,791	60.62	10,107,663	66.17

Sensitivity analysis

The table below sets out the effect on the net assets / increase in net assets (equity) attributable to the Unitholders of a reasonably possible weakening of the US Dollars against below currencies by 5%. The analysis assumes that all other variables, in particular interest rates, remain constant.

	<i>As at 31 December 2020</i>	<i>As at 31 December 2019</i>
Effect on net assets in USD (increase)		
HKD	275,836	198,492
TWD	137,856	117,175
BRL	89,133	96,319
INR	69,146	49,065
MYR	20,167	16,310
MXN	5,039	10,495
THB	8,670	6,727
ZAR	2,935	4,395
PHP	-	3,286
CZK	3,054	2,866
KRW	144	136
PLN	101	100
GBP	7	7
HUF	0	12
	612,088	505,385

A strengthening of the USD against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Equity price risk

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

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

	<u>As at 31 December 2020</u>		<u>As at 31 December 2019</u>	
<i>Net gain / (loss) on investments held at FVTPL</i>	+ 10%	1,963,384	+ 10%	1,435,446
	- 10%	(1,963,384)	- 10%	(1,435,446)

A strengthening in the individual equity market prices of 10% would have resulted in an equal but opposite effect to the amounts shown above.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

The fair value hierarchy has the following levels:

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

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16. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy – Financial instruments measured at fair value

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

	<u>Carrying value</u>	<u>As at 31 December 2020</u>			
		-----Fair value-----			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at FVTPL	1,963,384	1,963,384	--	--	1,963,384
Total	1,963,384	1,963,384	--	--	1,963,384

	<u>Carrying value</u>	<u>As at 31 December 2019</u>			
		-----Fair value-----			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at FVTPL	14,354,459	14,354,459	--	--	14,354,459
Total	14,354,459	14,354,459	--	--	14,354,459

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

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

17. LAST VALUATION DAY

The last valuation day of the year was 31 December 2020 (2019: 31 December 2019) and the dealing net assets value on this day was USD 12.91 per unit (2019: USD 10.90). The IFRS net assets value per unit on 31 December 2020 was USD 12.91 (2019: USD 10.90).

18. COVID – 19

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

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

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19. SUBSEQUENT EVENT

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

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

20. APPROVAL OF FINANCIAL STATEMENTS

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