

ANNUAL REPORT  
-HSBC Global Equity Index Fund-  
2016

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



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## A. Management Information

**1. Fund Name** HSBC Global Equity Index Fund

### 2. Fund Manager

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

### 3. Fund Sub-Manager (if any)

**Name** None  
**Address**

### 4. Custodian

**Name** HSBC Security Services (Luxembourg) SA  
**Address** 16 bd d'Avranches, 1160 Luxembourg  
**Phone:** +352 40 46 46 1  
**Website:** www.hsbc.lu

**Duties and Responsibilities**

- To preserve the assets of the Fund.
- To keep all the necessary documents that support the performance of his contractual obligations to the Fund.
- To deposit cash amounts owned by the Fund in the Fund's account.
- To manage cash transactions for the Fund, including the deduction of investment credit and expenses of the Fund in accordance with the Terms and Conditions of the Fund and the Information Memorandum.
- The Custodian is responsible for holding and protecting the Fund's assets for the Fund's unit holders.

### 5. Auditor

**Name** KPMG Al Fozan & Al Sadhan  
**Address** KPMG Tower  
Salahudeen Al Ayoubi Road  
P O Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
**Phone:** +96612914350

## B. Fund Information

### 1. Investment Objectives, Policies and Polices

The Fund is an open-ended investment fund with the aim to achieve medium to long term capital growth by investing in a Foreign Fund (HSBC Amanah Global Equity Index Fund) of HSBC Amanah Funds SICAV. The Foreign Fund invests, by way of passive investment strategy, most of its assets in a diversified portfolio of Shariah-compliant equities that are constituents of the Dow Jones Islamic Market Titans 100 Index.

Furthermore, Dow Jones Islamic Markets Titans 100 Index will be used as benchmark to evaluate the Fund's performance.

### 2. Distribution of Income and Gain Policy

The Fund does not distribute any income but rather reinvest it in the Fund itself, which will be reflected on the price and value of the units.

## C. Fund Performance

### 1. Fund Performance During the Last 3 Years (US Dollars)

Criteria/Year	2014	2015	2016
End of year NAV	15,935,329	16,246,338	23,128,265
End of year NAV/unit	18.76	18.62	19.04
Highest NAV/unit	18.88	19.52	19.64
Lowest NAV/unit	16.49	16.98	16.76
No. of units in issue	849,364	872,613	1,214,706
Dividends/unit	-	-	-
Expense Ratio	2.12%	1.56%	1.55%

### 2. Fund Returns

Year	1Yr	3Yrs	5Yrs
Return	2.27%	8.99%	47.16%

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Return	13.90%	16.24%	-32.99%	22.74%	5.96%	0.41%	10.39%	22.32%	7.40%	-0.76%	2.27%

### 3. Fund Fees (US Dollars)

Type of Fee or Expense	Amount (USD)	Percentage of AUM
Subscription Fee	164.98	Up to 2% of subscription amount
Management Fee	263,521	1.55%
Custodian Fee	-	-
Auditor Fee	-	-
Independent Board of Directors' Remuneration	-	-
Regulatory Fees	-	-
Index Cost	-	-
Debt Cost	-	-
Dividend Purification (Only if Shariah Compliant)	-	-
Bank Charges	56	0.00033%
Unrealised Currency	56	0.00033%

### 4. Material Changes on the Fund during the Year

No material changes occurred on the Fund during the year 2016.

### 5. Detailed Fundamental, Material, Notifiable, or Significant Changes Made on the Fund's Terms and Conditions During the Year

- Changes that were made on 29/3/2016 (Attached are the details of the 1<sup>st</sup> Changes)

- Changes that were made on 28/11/2016 (Attached are the details of the 2<sup>nd</sup> Changes)

### 6. Valuation or Pricing Errors during the Year

None.

## **D. Fund Manager**

### **1. Investment Activities of the Period**

The HSBC Global Equity Index Fund is an open-ended feeder fund, which invests in a Foreign Fund (HSBC Amanah Global Equity Index Fund) of HSBC Amanah Funds SICAV. The Foreign Fund invests, by way of passive investment strategy, most of its assets in a diversified portfolio of Shariah-compliant equities that are constituents of the Dow Jones Islamic Market Titans 100 Index.

### **2. Investment Limitation Breaches**

None.

### **3. Commentary on Investment Fund's Performance During the Period**

2016 started with elevated volatility, with global equities falling steeply in January on the back of the turmoil in China surrounding both the economy and the currency. Global equities then gradually recovered from February onwards also thanks to stabilization in the oil price, which helped put a floor under markets. The remaining first half of the year was relatively quiet even though, as the UK's referendum on EU membership drew closer markets started becoming increasingly uncertain on the vote's outcome. With investors having largely priced in a vote to remain, the subsequent result at the end of June triggered a major sell-off in equities across the world. This was soon enough followed by a relief rally during the summer, amid a growing conviction that central banks would look to offset any slowdown with increased stimulus. November saw the election of Donald Trump as 45th President of the United States. In the immediate aftermath, global markets fell, but soon after recovered. In the US, domestic equities rose following expectations of policy shifts by the new administration, including tax cuts and increase in infrastructure spending. The second half of the year also saw a rebound in commodities prices mainly driven by Oil, which gained further momentum following OPEC's agreement to cut production. The Fund returned 2.27% during year, compared to the benchmark return of 3.15% during the year.

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

There is no additional information to be disclosed; however, investors need to read and understand the Fund's Terms and Conditions and all related documents and/or obtain advice from their own legal, regulatory, tax, and/or investment advisors.

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

Not Applicable.

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

None.

**7. Fund Manager or Affiliates' Investment in the Fund**

HSBC Saudi Arabia or affiliates do not have any investments in the Fund.

**8. Annual Voting Practices Used by the Board**

Not Applicable.

**9. Cases of Conflict of Interest Approved by the Board**

None.

**10. Board of Directors Report (must include subjects that were discussed and voting results, as well as fund performance and goals)**

SUBJECT	APPROVAL DETAILS	MEETING DATE
<b>FUND BOARD CAPACITY EVALUATION</b>	As required by the Regulation, the Fund Board capacity was evaluated and it was approved by the Fund Board that the current Fund Boards have sufficient capacity to supervise the Funds under their respective Fund Board	22 December 2016
<b>APPROVAL OF AUDITOR</b>	The Fund Board approved the appointment of KPMG as the Financial Auditor for HSBC SA Mutual Funds	27 October 2016

### ***E. Custodian Statement***

A statement based on its opinion whether the fund manager has:

- issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the fund's Terms and Conditions;
- Valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations , the fund's Terms and Conditions and the information memorandum;
- Breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment fund Regulations.

**Not applicable, Fund custodian responsibility does not include providing his opinion on these points.**

### ***F. Auditor Statement***

A statement whether, in the auditor's opinion:

- The financial statements have been prepared and audited in accordance with SOCPA standards, the Investment Funds Regulations ,the fund's terms and conditions and the information memorandum;  
**Auditor's opinion available in Annex1 page 2.**
- The financial statements give a true and fair view of the net income and the net gains or losses of the investment fund's assets in that accounting period;  
**Auditor's responsibility does not include providing his option on this point.**
- The financial statements give a true and fair view of the financial position of the investment fund at the end of the period.  
**Auditor's opinion available in Annex1 page 2.**



**HSBC GLOBAL EQUITY INDEX FUND**  
Managed by HSBC Saudi Arabia Limited  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**  
together with the  
**INDEPENDENT AUDITORS' REPORT**  
**TO THE UNITHOLDERS**



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## INDEPENDENT AUDITORS' REPORT

To: **The Unitholders**  
**HSBC Global Equity Index Fund**  
**Riyadh, Kingdom of Saudi Arabia**

We have audited the accompanying financial statements of **HSBC Global Equity Index Fund** (the "Fund") managed by **HSBC Saudi Arabia Limited** (the "Fund Manager") which comprises the balance sheet as at 31 December 2016, and the related statements of income, cash flows and changes in net assets attributable to unitholders for the year then ended and the attached notes from (1) to (13) which form an integral part of the financial statements.

### *Fund Manager's responsibility for the financial statements*

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Fund's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Fund Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**Opinion**

In our opinion, the financial statements taken as a whole present fairly, in all material respects, the financial position of the HSBC Global Equity Index Fund as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia.

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

Abdullah Hamad Al Fozan  
License No. 348



Date: 7 Rajab 1438H  
Corresponding to: 4 April 2017

**HSBC GLOBAL EQUITY INDEX FUND**

Managed by HSBC Saudi Arabia Limited

**BALANCE SHEET**

As at 31 December 2016

(Amounts in US Dollars)

	<i>Note</i>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	9	54,802	75,847
Held for trading investments	7	23,079,843	16,172,810
Other receivables		2,477	2,533
<b>TOTAL ASSETS</b>		<b><u>23,137,122</u></b>	<b><u>16,251,190</u></b>
<b><u>LIABILITIES</u></b>			
Other liabilities		8,855	4,852
<b>TOTAL LIABILITIES</b>		<b><u>8,855</u></b>	<b><u>4,852</u></b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b><u>23,128,267</u></b>	<b><u>16,246,338</u></b>
<b>Units in issue (<i>numbers</i>)</b>		<b><u>1,214,706</u></b>	<b><u>872,613</u></b>
<b>Net assets attributable to each unit</b>		<b><u>19.04</u></b>	<b><u>18.62</u></b>

The accompanying notes 1 through 13 form an integral part of these financial statements.

**HSBC GLOBAL EQUITY INDEX FUND**  
 Managed by HSBC Saudi Arabia Limited  
**STATEMENT OF INCOME**  
 For the year ended 31 December 2016  
 (Amounts in US Dollars)

<b>INCOME</b>	<u><i>Note</i></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Trading gain, net	8	<b>642,959</b>	116,681
Other income		--	7,719
		<u><b>642,959</b></u>	<u>124,400</u>
 <b>EXPENSES</b>			
Fund management fee	6	<b>263,521</b>	243,174
Other expenses		<b>111</b>	5,231
		<u><b>263,632</b></u>	<u>248,405</u>
 <b>NET INCOME / (LOSS) FOR THE YEAR</b>		<u><b>379,327</b></u>	<u>(124,005)</u>

The accompanying notes 1 through 13 form an integral part of these financial statements.

**HSBC GLOBAL EQUITY INDEX FUND**  
Managed by HSBC Saudi Arabia Limited  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2016  
(Amounts in US Dollars)

	<i>Note</i>	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income / (loss) for the year		379,327	(124,005)
Adjustment for:			
Unrealized gain on held for trading investments	8	(618,898)	(112,106)
		(239,571)	(236,111)
<b>Changes in operating assets and liabilities</b>			
Held for trading investments, net		(6,288,135)	(249,575)
Other receivables		56	1,914
Other liabilities		4,003	(13,297)
<b>Net cash used in operating activities</b>		<b>(6,523,647)</b>	<b>(497,069)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		6,710,320	593,454
Payments against redemption of units		(207,718)	(158,440)
<b>Net cash generated from financing activities</b>		<b>6,502,602</b>	<b>435,014</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(21,045)</b>	<b>(62,055)</b>
Cash and cash equivalents at beginning of the year	9	75,847	137,902
<b>Cash and cash equivalents at end of the year</b>		<b>54,802</b>	<b>75,847</b>

The accompanying notes 1 through 13 form an integral part of these financial statements.

**HSBC GLOBAL EQUITY INDEX FUND**  
 Managed by HSBC Saudi Arabia Limited  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
 For the year ended 31 December 2016  
 (Amounts in US Dollars)

	<u>2016</u>	<u>2015</u>
<b>Net assets attributable to unit holders at beginning of the year</b>	<b>16,246,338</b>	15,935,329
<b>Net income / (loss) for the year</b>	<b>379,327</b>	(124,005)
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	6,710,320	593,454
Payments against redemption of units	(207,718)	(158,440)
<b>Net change from unit transactions</b>	<b>6,502,602</b>	435,014
<b>Net assets attributable to the unit holders at end of the year</b>	<b>23,128,267</b>	16,246,338

**UNIT TRANSACTIONS:**

	<i>(In numbers)</i>	
<b>Units at beginning of the year</b>	<b>872,613</b>	849,364
Units issued	353,229	31,871
Units redeemed	(11,136)	(8,622)
<b>Net change in units</b>	<b>342,093</b>	23,249
<b>Units at end of the year</b>	<b>1,214,706</b>	872,613

The accompanying notes 1 through 13 form an integral part of these financial statements.

**HSBC GLOBAL EQUITY INDEX FUND**  
Managed by HSBC Saudi Arabia Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**1. THE FUND AND ITS ACTIVITIES**

HSBC Global Equity Index Fund (“the Fund”) is an open-ended mutual investment fund created through an agreement between HSBC Saudi Arabia Limited (“the Fund Manager”) and investors (the Unitholders). The Fund was converted into a feeder fund with effect from 15 May 2014. The objective of the Fund is to provide appreciation of capital through investments in HSBC Amanah Global Equity Index Fund (“a foreign fund”) of HSBC Amanah Funds SICAV. The foreign fund invests its assets in a diversified portfolio of Shariah compliant equities listed worldwide that constitute the Dow Jones Islamic Market Titans 100 Index.

The Fund is managed by the Fund Manager which also acts as the custodian and the administrator of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

The Fund updated its terms and conditions which were approved by the Capital Market Authority (CMA) on 3 Safar 1438H (corresponding to 3 November 2016).

**2. REGULATING AUTHORITY**

The Fund is governed by the Investment Fund Regulations (“the Regulations”) published by Capital Market Authority (CMA) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and amended in 16 Shaban 1437H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia.

**3. SUBSCRIPTION/ REDEMPTION (DEALING DAY & 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 PRESENTATION**

**4.1 Statement of Compliance**

These financial statements have been presented in accordance with the requirements of the accounting standards financial reporting issued by the Saudi Organization of Certified Public Accountants (“the SOCPA”).

These financial statements were approved by the Fund’s Board of Directors on 7<sup>th</sup> Rajab 1438H (Corresponding to 4<sup>th</sup> April, 2017).

**4.2 Basis of Measurement**

These financial statements have been prepared under the historical cost convention, except for the measurement of held for trading investments, which are stated at fair value, using the accrual basis of accounting and the going concern concept.

**4.3 Functional and presentation currency**

These financial statements are presented in US Dollars (USD) which is the functional currency of the Fund. All financial information presented has been rounded to the nearest USD.



**HSBC GLOBAL EQUITY INDEX FUND**  
Managed by HSBC Saudi Arabia Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016  
(Amounts in US Dollars)

**4. BASIS OF PRESENTATION (CONTINUED)**

**4.4 Use of estimates and judgments**

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

**5. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the previous year and are set out below:

**5.1 *Held for trading investments***

Investments which are purchased for trading purposes are initially recorded at cost on the trade date and then re-measured and stated in the balance sheet at market value. Unrealized gains/ losses on the revaluation of held for trading investments are recognized in the statement of income.

**5.2 *Revenue recognition***

Realized gains/ losses on disposal of held for trading investments are determined by comparing the sales proceeds and the average cost of investments. Trading gain/ loss includes gains and losses from changes in fair value of held for trading investments.

Dividend income is recognized when the right to receive the dividend is established. Dividend income is presented net of withholding taxes.

**5.3 *Trade date accounting***

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

**5.4 *Fund management fees***

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

**5.5 *Zakat/ Income tax***

Zakat/ Income tax is the obligation of the Unitholders and is not provided for in these financial statements.

**5.6 *Cash and cash equivalents***

Cash and cash equivalents for the purpose of the statement of cash flows represents a bank balance.

**HSBC GLOBAL EQUITY INDEX FUND**  
 Managed by HSBC Saudi Arabia Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the year ended 31 December 2016  
 (Amounts in US Dollars)

**5. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5.7 Subscription and redemption of units**

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

**5.8 Financial instruments**

Financial assets and liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of financial assets and financial liabilities is taken directly to the statement of income.

**5.9 Foreign Currency translation**

Transactions in foreign currencies are translated into USD at the rates of exchange prevailing at the date of the transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. Resulting exchange gains and losses are taken to the statement of income.

**6. MANAGEMENT FEE, CUSTODIAN AND FUND ADMINISTRATION FEES AND SUNDRY EXPENSES**

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 1.55% per annum (31 December 2015: 1.55% per annum). 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 investments to the fund are always net of subscription fees.

**7. HELD FOR TRADING INVESTMENTS**

Held for trading investments comprise the following:

	<u>2016</u>	<u>2015</u>
HSBC Global equity index fund (Z class shares) of HSBC Amanah Funds SICAV (an affiliate)	23,079,843	16,172,810
	<u>23,079,843</u>	<u>16,172,810</u>

**7.1** As at 31 December 2016, cost of the above held for trading investments amounted to USD 21.63 million (31 December 2015: USD 15.34 million).

**8. TRADING GAINS, NET**

	<u>2016</u>	<u>2015</u>
Realised gain on held for trading investments	24,061	4,575
Unrealised gain on held for trading investments	618,898	112,106
	<u>642,959</u>	<u>116,681</u>

**HSBC GLOBAL EQUITY INDEX FUND**  
 Managed by HSBC Saudi Arabia Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the year ended 31 December 2016  
 (Amounts in US Dollars)

**9. 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 of HSBC Saudi Arabia Limited (being the Fund Manager, Fund Board, local custodian and the administrator of the Fund, The Saudi British Bank (“SABB”) (being 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.

Related party transactions for the year ended 31 December 2016 and balances arising therefrom are described as under:

Related party	Nature of transactions	Amount of transaction during the period		Closing balance Receivable/ (Payable)	
		2016	2015	2016	2015
HSBC Saudi Arabia Limited ( <i>Fund Manager</i> )	Fund management fee	263,521	243,174	(8,855)	(4,852)
	Custody and fund administration expenses	--	2,192	--	--
SABB ( <i>shareholder</i> )	Cash and cash equivalents	--	--	54,802	75,847
Fund Board	Board member remuneration	--	26	--	--

The custody and fund administration fee was charged at a rate of 0.3% per annum of the Fund's net assets value and was payable to the Fund Manager prior to 17 January 2015 in accordance with the terms and conditions applicable at that time. Subsequent to 17 January 2015, the custody and administration fees is reduced to nil as per the updated terms and conditions.

Board member remuneration during the year has been borne and paid by HSBC Saudi Arabia Limited (“*the Fund Manager*”).

HSBC Multi-Assets Defensive Fund, HSBC Multi-Assets Balanced Fund and HSBC Multi-Assets Growth Fund managed by the Fund Manager has subscribed 213,458 units (31 December 2015: 213,458 units), 485,557 units (31 December 2015: 347,235 units) and 329,007 units (31 December 2015: 115,091 units) respectively of the fund.

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

The arrangement with the Fund Manager for Subscription fee is disclosed in Note 6.

**10. COMPARATIVE FIGURES**

Where applicable, certain figures for 2015 have been reclassified to confirm the presentation in the current year.

**HSBC GLOBAL EQUITY INDEX FUND**  
Managed by HSBC Saudi Arabia Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016  
(Amounts in US Dollars)

**11. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise financial assets and financial liabilities.

The Fund's financial assets consist of a bank balance, held for trading investments and other receivables whilst its financial liabilities consist of other liabilities.

Held for trading investments are carried at fair value. Fair value is derived from observable listed market prices. The fair values of other financial instruments are not materially different from their carrying values.

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Fund manages its investment portfolio and other assets by monitoring the return on net assets and makes adjustments to its investment policy in the light of changes in market conditions.

The Fund maintains position in financial instrument as dictated by its investment policy. All investments are "held for trading" investments. The Fund is exposed to the following risks:

***Special commission rate risk***

Special commission rate risk arises from the possibility that changes in market commission rates may affect either the fair value or the future cash flows of the financial instruments. The Fund is not exposed to special commission rate risk.

***Credit risk***

Credit risk is a risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is exposed to credit risk on its bank balance and other receivables. The fund manager seeks to limit its credit risk by dealing with creditworthy counter parties. Further, bank balance is with a bank that has a good credit rating.

***Equity price risk***

Equity price risk is the risk that the fair value of equity investments decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Fund is exposed to equity price risk arising from its investments in shares.

The Fund is exposed to equity price risk arising from its investments in the Dow Jones Islamic Market Titan 100 Index as the underlying investments comprise equity shares. The Fund Manager has established risk guidelines to minimize the risk through diversification of its investment portfolio in terms of industrial concentration.

***Liquidity risk***

Liquidity risk is the risk that the Fund will encounter difficulty in generating funds to meet commitments associated with financial liabilities. The Fund's terms and conditions provide for the redemptions of units twice weekly and it is, therefore, exposed to the liquidity risk of meeting Unitholders' redemptions. The Fund's investments are considered to be readily realizable as they are all equity shares listed on Dow Jones Islamic Market Titan 100 Index.

The Fund Manager has established certain maturity and liquidity guidelines for the Fund to ensure sufficient funds are available to meet any commitments as they arise. There are no funds drawn by the fund under the credit line with the bank as at balance sheet date.

***Currency risk***

Currency risk is the risk that the value of a financial instrument may fluctuate due to a change in foreign exchange rates. The Fund is not subject to a significant currency risk as the majority of the Fund's cash and cash equivalents and investments are denominated in its functional currency, i.e. US Dollars. The investment risks of the fund are included in the terms and conditions detailed on the website of the Fund Manager at [www.hsbcSaudi.com](http://www.hsbcSaudi.com). The terms and conditions do not form part of these financial statements.

**13. LAST VALUATION DAY**

The last valuation day of the period was 31 December 2016 (2015: 31 December 2015).