



Date: 26 Shawal 1438H  
20 July 2017

**Subject: Invitation to attend the HSBC Saudi Petrochemical Equity Opportunities Fund's unit holders' meeting**

Dear HSBC Saudi Petrochemical Equity Opportunities Fund Unit Holder,

HSBC Saudi Arabia would like to invite you to attend the HSBC Saudi Petrochemical Equity Opportunities Fund's unit holders meeting to vote on the Fund Manager's proposal of merging the HSBC Saudi Petrochemical Equity Opportunities Fund into the HSBC Saudi Industrial Companies Equity Fund, which invests in a wider investment sector that includes all the Shariah-compliant industrial companies listed on the Saudi Equity Market, of which the petrochemical sector represents the greatest share among them.

HSBC Saudi Petrochemical Equity Opportunities Fund was launched with a specific investment objective, which is to invest as a sectorial fund targeting Shariah-complaint petrochemical companies listed on Tadawul. However, the CMA's laws and regulations (Investment Funds Regulations) limit the investment percentage in one security from a single issuer to 10%, and in the classes of securities issued by a single issuer to 20%, and a maximum of 25% in different sectors belonging to the same class of securities of the total assets value. This led to the Fund Manager being unable to apply the investment strategy of the Fund and to achieve its objectives (on which the investment field of the Fund was developed), limiting the Fund Manager's capability to distribute the Fund's investments as deemed appropriate to it.

Therefore, the Fund Manager proposes merging both the HSBC Saudi Petrochemical Equity Opportunities Fund and the HSBC Saudi Industrial Companies Equity Fund in order to amend the Fund's investment field to include, in addition to its current field, the industrial companies listed under other industries. Proceeding with this proposal will allow the Fund Manager to do the following:

- Distribute the Fund's assets between a larger group of companies.
- Distribute the assets effectively and appropriately without affecting the maximum percentage of exposure to a single issuer or to the same class.
- Have a wider investment field by investing in industrial companies, which are listed under several sectors in the Saudi market.

The below tables contain, in details, all the investment and financial implications that are expected to result from the proposed merger transaction.

### Investment implications:

Implications	Post-merger	Pre-merger
No. of units and market value of investment	New units will be issued after merger to every investor with its value equal to the value of the units owned by the unit holder of the Fund. The no. of the units owned by the investor in the new Fund may be different from the no. of units owned by the unit holder in the Fund.	Fixed no. of units with a market value that was changing as per the last valuation of the Fund.
Changing the investment field	The Fund will invest in a wider field. In addition, the greater portion of the new investment field will invest in the petrochemical sector.	The Fund was previously investing in petrochemical companies.
Distribution of assets	The Fund Manager will be able to distribute assets appropriately in a diversified group of sectors in the Saudi market.	The assets were concentrated on one sector.
Maximum limit of investment in a single company or a single issuer's assets	Adding new companies and sectors to the investment field of the Fund allows the Fund Manager to distribute the Fund's assets in compliance with the provisions of the IFR.	Investment in one security was limited to 10% and in assets issued by single issuer to 20%, and to 25% for securities belonging to the same class of the total assets value.
Changing the Fund's investment objective	Concentration of the investment of the merged fund on all Shariah-compliant industrial companies.	Concentration of the investment on the Shariah-compliant petrochemical sector.

### Financial implications:

Implications	Post-merger	Pre-merger (current situation)
Management fees	1.7%	1.7%
Dealing expenses	Dealing expenses of the HSBC Saudi Industrial Companies Equity Fund for 2016 are 0.072% of the average total assets of the Fund.	Dealing expenses of the current Fund for 2016 is 0.033% of the average total assets of the Fund.
Subscription fees	Up to 2% of the total subscription amount. No subscription fees will be deducted against the units to be transferred to the merged Fund.	Up to 2% of the total subscription amount.
Merger fees and expenses	Investors will NOT incur any fees as a result of this merger transaction, which includes sale and restructuring of the Fund's portfolios transactions and other expenses. These expenses will be fully paid by the Fund Manager.	

Therefore, we are delighted to invite you to attend the HSBC Saudi Petrochemical Equity Opportunities Fund unit holders' meeting, which will be held on Wednesday, 9 August 2017 corresponding to 17 Dhu al-Qa'dah 1438H at 5:00 p.m., at the Four Seasons Hotel Riyadh (Paris Hall), in order to vote on the proposed merger transaction.

**Note:**

- Each HSBC Saudi Petrochemical Equity Opportunities Fund unit holder has the right to attend and vote in the meeting.
- Each unit holder has the right to give a proxy to any person to vote on his/her behalf. The proxy should be attested by the chamber of commerce, notary public or authorized attestation persons.
- Each investor must present their original Identity Card to attend the meeting.

Best Regards,

HSBC Saudi Arabia