HSBC ISLAMIC FUNDS

Audited Annual Report for the year ended 31 December 2022

R.C.S. Luxembourg B 74 964
4, rue Peternelchen,
L-2370 Howald,
Grand Duchy of Luxembourg

Audited Annual Report for the year ended 31 December 2022

Société d’Investissement à Capital Variable (SICAV), Luxembourg

Information concerning the distribution of shares of HSBC Islamic Funds in or from Switzerland.

Legal Representative of the Company in Switzerland: HSBC Global Asset Management (Switzerland) Ltd., Gartenstrasse 26, P.O. Box, CH-8002 Zurich. The Prospectus, Key Information Document (KID), Articles and annual and semi-annual reports of the Company may be obtained free of charge upon request from the Legal Representative in Switzerland. A breakdown of all transactions carried out on behalf of each sub-fund of the Company for the period under review can be obtained, free of charge, from the Legal Representative in Switzerland.

Statement of changes in the investment portfolio

A list, specifying for each sub-fund total purchases and sales transacted during the period under review, may be obtained, upon request, at the registered office of the Company.

Withdrawal of the UK from the EU

As part of the Withdrawal Agreement, the UK and the EU agreed a Transition Period in order to provide continuity and certainty. The Transition period ran from 12:00 midnight CET on 31 January 2020 until 12:00 midnight CET on 31 December 2020.

Following the end of the transition period all cross-border passporting rights to the UK for EU funds have ceased, however, the UK's introduction of a Temporary Permissions Regime enables all funds that have registered into the regime to continue to be distributed in the UK and purchased by UK domiciled investors. The UK Government has brought forward domestic legislation to streamline the process to allow overseas (including EU) investment funds to be sold in the UK post-Brexit.

It is possible that ultimately there will be more divergence between UK and EU regulations which may limit the cross-border activities that can take place. As at the date of this Report, the Sub-Fund continues to be recognised by the UK's Financial Conduct Authority and can be marketed to UK investors. The nature and extent of the impact of Brexit related changes remain uncertain, but may be significant. The UK is continuing to consider regulatory changes post-Brexit. The nature and extent of such changes remains uncertain, but may be significant.

The information provided in this section is correct as at the date of this Report.

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Board of Directors

- **Anthony Jeffs**, (Chairman), Global Head of Product
  HSBC Global Asset Management Limited,
  8 Canada Square, London E14 5HQ, United Kingdom.

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- **Dr. Michael Boehm**, Chief Operating Officer
  HSBC Global Asset Management (Deutschland) GmbH,
  Königsallee 21/23, 40212 Düsseldorf, Germany.
- **Jean de Courrèges**, Independent Director
  Luxembourg, Grand Duchy of Luxembourg.
- **Eimear Cowhey,** Independent Director
  Dublin, Ireland.
- **John Li,** Independent Director
  The Directors Office S.A., 19 Rue de Bitbourg, L-1273, Luxembourg.
- **Matteo Pardi,** Head of International Markets
  HSBC Global Asset Management (France)
  Italian Branch,
  Via San Protaso 3,
  20121 Milano, Italy.

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HSBC Global Asset Management Shariah Committee

The Management Company has entered into a Shariah Compliance Advisory Agreement with HSBC Bank plc under which the latter agrees to appoint the members of the HSBC Global Asset Management Shariah Committee ("the Shariah Committee"). The members of the Shariah Committee are:

- Dr. Nizam Yaquby - resident in Bahrain
- Dr. Mohamed Ali Elgari - resident in Saudi Arabia

Management and Administration

Registered Office	*Until 30th September 2022* 16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg. *From 1st October 2022* 4, rue Peternelchen, L-2370 Howald, Luxembourg
Management Company	HSBC Investment Funds (Luxembourg) S.A. *Until 31 October 2022* 16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg. *From 1 November 2022* 18, boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg.
Administration Agent, Depositary Bank, Central Paying Agent, Registrar and Transfer Agent	HSBC Continental Europe, Luxembourg *Until 31 October 2022* 16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg. *From 1st November 2022* 18, boulevard de Kockelscheuer L-1821 Luxembourg, Grand Duchy of Luxembourg.
Domiciliary and Corporate Agent	*Until 30 September 2022* HSBC Continental Europe, Luxembourg 16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg. *From 1 October 2022* ONE Corporate 4, rue Peternelchen, Cubus C3, L-2370 Howald, Grand Duchy of Luxembourg.
Investment Adviser	HSBC Global Asset Management (UK) Limited 8 Canada Square, London, E14 5HQ, United Kingdom.

Management and Administration (continued)

Share Distributors	Global Distributor HSBC Investment Funds (Luxembourg) S.A. 18, Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg. Distributor for Continental Europe HSBC Global Asset Management (France) Immeuble "cœur Défense" – Tour A, 110 Esplanade du Général de Gaulle - La Défense 4, 75419 Paris Cedex 08, France. Distributor and Representative for the United Kingdom HSBC Global Asset Management (UK) Limited 8 Canada Square, London E14 5HQ, United Kingdom.
Paying Agent in Switzerland	HSBC Private Bank (Suisse) S.A. Quai des Bergues 9-17, Case Postale 2888, CH-1211 Geneva 1, Switzerland.
Auditor	PricewaterhouseCoopers, Société coopérative 2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg, Grand Duchy of Luxembourg.

Shareholder Information

Automatic Exchange of Information

The OECD has developed a common reporting standard ("CRS") to achieve a comprehensive and multilateral automatic exchange of information AEOI on a global basis. On 9 December 2014, Council Directive 2014/107/EU amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (the "Euro-CRS Directive") was adopted in order to implement the CRS among the Member States.

The Euro-CRS Directive was implemented into Luxembourg law by the law of 18 December 2015 on the automatic exchange of financial account information in the field of taxation ("CRS Law").

The CRS Law requires Luxembourg financial institutions to identify financial assets holders and establish if they are tax resident in countries with which Luxembourg has a tax information sharing agreement. Accordingly, the Company may require its investors to provide information in relation to the identity and tax residence of financial account holders (including certain entities and their controlling persons) in order to ascertain their CRS status. Responding to CRS-related questions is mandatory. The personal data obtained will be used for the purpose of the CRS Law or such other purposes indicated by the Company in the data protection section of the Prospectus in compliance with Luxembourg data protection law. Information regarding a shareholder and his/her/its account will be reported to the Luxembourg tax authorities (Administration des Contributions Directes), which will thereafter automatically transfer this information to the competent foreign tax authorities on a yearly basis, if such account is deemed a CRS reportable account under the CRS Law.

In addition, Luxembourg signed the OECD's multilateral competent authority agreement ("Multilateral Agreement") to exchange information automatically under the CRS. The Multilateral Agreement aims to implement the CRS among non-Member States; it requires agreements on a country-by-country basis.

The Company reserves the right to refuse any application for Shares if the information provided or not provided does not satisfy the requirements under the CRS Law.
On 25 May 2018, the EU Council adopted a directive (2018/822 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation) that imposes a reporting obligation on parties involved in transactions that may be associated with aggressive tax planning (“DAC6”). DAC6 has been implemented in Luxembourg by the law of 25 March 2020 (the “DAC6 Law”). More specifically, the reporting obligation will apply to cross-border arrangements that, among others, meet one or more "hallmarks" provided for in the DAC6 Law that is coupled in certain cases, with the main benefit test (the “Reportable Arrangements”). In the case of a Reportable Arrangement, the information that must be reported includes inter-alia the name of all relevant taxpayers and intermediaries as well as an outline of the Reportable Arrangement, the value of the Reportable Arrangement and identification of any member states likely to be concerned by the Reportable Arrangement. The reporting obligation in principle rests with the persons that design, market or organize the Reportable Arrangement or provide assistance or advice in relation thereto (the so-called “intermediaries”). However, in certain cases, the taxpayer itself can be subject to the reporting obligation. Intermediaries (or the case maybe, the taxpayer) may be required to report a Reportable Arrangement as soon as 30 January 2021. The information reported will be automatically exchanged between the tax authorities of all Member States. In light of the broad scope of the DAC6 Law, transactions carried out by the Company may fall within the scope of the DAC6 Law and thus be reportable.

Name of the sub-fund	Tax status for redemptions	Tax status for distributions	Method used to determine the status	Period of validity of the status
HSBC Islamic Global Equity Index Fund	Out of Scope	Out of Scope	Investment Policy	1 January 2022 31 December 2022

Directors' Report

The Board of Directors presents the Audited Annual Report for HSBC Islamic Funds (the "Company") for the year ended 31 December 2022.

The Company

The Company is an investment company with variable capital, incorporated under the laws of the Grand Duchy of Luxembourg and is organized as an "umbrella" with a number of sub-funds, each of which has its own investment policy and restrictions. At present, the Company has issued shares in 1 sub-fund. During the financial year, the total net assets of the company decreased from USD 3,056.4 million to USD 869,3 million at year end.

The Company qualifies as an Undertaking for Collective Investments in Transferable Securities under the amended Directive 2009/65/EC of 13 July 2009 and may therefore be offered for sale in European Union Member States, subject to registration in countries other than the Grand Duchy of Luxembourg. In addition, applications to register the Company and its sub-funds may be made in non-European Union countries, subject to compliance with local laws and regulations. The Company and its sub-fund are currently registered for offer and distribution in the Grand Duchy of Luxembourg and in the following jurisdictions: Bahrain, France, Jersey, Qatar, Sweden, Switzerland, the United Kingdom and the United Arab Emirates.

Responsibility of the Directors

The responsibility of the Directors of the Company is governed exclusively by Luxembourg law. With respect to these financial statements, the duties of the Directors are governed by general corporate law and the law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings and by the law of 17 December 2010 relating to undertakings for collective investments, as amended (the "2010 Law"). Since 1 July 2011, the Company is governed by Part I of the 2010 Law implementing the Directive 2009/65/EC into Luxembourg law.

Cash Management

In accordance with the Shariah Compliance Advisory Agreement the Investment Manager endeavours to avoid overdrafts. In exceptional circumstances overdrafts may occur, however no interest expense is charged to the Fund in that case.

Remuneration Policy

HSBC Investment Funds (Luxembourg) S.A. ("HIFL") has implemented a remuneration policy pursuant to Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards to depositary functions, remuneration policies and sanctions (the "UCITS V Directive"), which was transposed into Luxembourg law on 1 June 2016 by way of the Luxembourg law of 10 May 2016.

The remuneration policy, which has been approved by HIFL's board of directors, includes measures to avoid conflicts of interest and seeks to promote sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profile and articles of incorporation of the Company nor impair compliance with HIFL's duty to act in the best interest of the Company.

The remuneration policy, which describes how remuneration and benefits are determined, is available at www.global.assetmanagement.hsbc.com/about-us/governance-structure, or on request from HIFL.

Total amount of remuneration paid by HIFL to its staff and paid by the investment adviser to their identified staff* during the 12 months period ending 31 December 2022 is as follows:

Number of beneficiaries: 22

Fixed remuneration	USD 2,652,709.86
Variable remuneration	USD 416,168.15

of which, the disclosure of the fixed and variable remuneration of senior management within HIFL and of identified staff* of the investment adviser is:

Number of beneficiaries: 6

Fixed remuneration	USD 1,176,299.39
Variable remuneration	USD 251,128.23

* identified staff are defined as members of staff whose actions have a material impact on the risk profile of the Company.

Directors’ Report (continued)

Remuneration Policy (continued)

The above amounts of remuneration include the staff of HIFL and the staff of HSBC Global Asset Management (UK) Limited involved in the investment management of HSBC Islamic Funds.

The annual review of the remuneration policy, including a review of the existing remuneration structure as well as implementation of the regulatory requirements and compliance with them, was completed during the period and no irregularities were identified. Furthermore, there were no material changes made to the remuneration policy in the past financial year.

Withdrawal of the UK from the EU

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Impact of Pandemics

Pandemics can impact global markets in several ways, including: (i) adding ongoing uncertainty to global markets as there is currently no clarity as to how long a pandemic will continue (ii) impeding regular business operations across many different businesses, including manufacturers and service providers; and (iii) slowing down or stopping international, national, and local travel. By way of an example, all of these factors and more have been seen in recent years with the global outbreak of COVID-19. Notwithstanding that Covid 19 cases are again on the rise coupled with a risk of new variants, the initial impact on global markets on certain industries has started to lessen however, the financial impact of the outbreak to date, and whether or not any new variant will give rise to further challenges, cannot be estimated reliably. The Board continues to monitor the situation and receives regular updates from the Management Company. As at 31 December 2022, to our knowledge, the impact of COVID-19 has not affected the Investment Managers’ ability to execute the investment strategy of the sub-fund, nor has there been interruption to key service providers engaged by the Company.

Corporate Governance Statement

The Board of Directors confirms its adoption of the ALFI (Association of the Luxembourg Fund Industry) Code of Conduct for Luxembourg Investment Funds (the “Code”) and confirms its adherence to the principles of the Code at all times during the period.

Annual General Meeting

The next Annual General Meeting of the Company will be held on Friday 26th May 2023.

Directors’ Report (continued)

Russia’s invasion of Ukraine

Russia’s invasion of Ukraine has had, and could continue to have, severe adverse effects on regional and global economic markets for securities and commodities. Following Russia’s actions, various governments have issued broad-ranging economic sanctions against Russia including, among other actions:

- a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs;
- the removal by certain countries and the European Union of selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications (“SWIFT”), the electronic banking network that connects banks globally; and
- restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions.

The current events, including sanctions and the potential for future sanctions, which include (but not limited to) those impacting Russia’s energy sector, and other actions, and Russia’s retaliatory responses to those sanctions and actions, could continue to have, an adverse effect on global markets performance and liquidity, thereby negatively affecting the value of the portfolios’ investments beyond any direct exposure to Russian issuers. They also give rise to material uncertainty and risk with respect to markets globally and the performance of the Portfolios and their investments or operations could be negatively impacted. Investors should be aware that the duration of the ongoing hostilities and the vast array of sanctions and related events cannot be predicted. The Company does not have any exposure to Russian securities.

Investment Adviser's Report

Performance Review

Date	Currency	Net Return (ID Class)	Gross Return	Index Performance
Jan-22	USD	-6.76%	-6.71%	-6.76%
Feb-22	USD	-4.12%	-4.08%	-4.10%
Mar-22	USD	3.94%	3.98%	4.02%
Apr-22	USD	-9.68%	-9.64%	-9.68%
May-22	USD	-1.13%	-1.08%	-1.05%
Jun-22	USD	-7.74%	-7.70%	-7.78%
Jul-22	USD	8.86%	8.91%	8.91%
Aug-22	USD	-5.43%	-5.39%	-5.39%
Sep-22	USD	-9.73%	-9.69%	-9.73%
Oct-22	USD	4.00%	4.05%	4.07%
Nov-22	USD	7.23%	7.28%	7.33%
Dec-22	USD	-5.38%	-5.34%	-5.41%

Over the reporting period the fund tracked its index closely, fully in line with the investment objectives. From a sector standpoint the largest contributors to the total return were the Information Technology, Communication Services and Consumer Discretionary sectors. US equities were the largest contributor to the return over the period given their prominence in the Index.

Global equities

2022 was a poor year for global equities. Soaring inflation levels, tightening monetary policy, weakening economic growth and the situation in Ukraine all weighed on sentiment and caused markets to sell off. Russia's foray into Ukraine in late February was the trigger for the fall in equities, with markets plummeting as it became clear that Russia's previous denial of any intention to infiltrate Ukrainian territory was untrue. Overall, the first six months of 2022 represented the worst first half for equities for at least 50 years. However, markets recovered some of their returns in the final quarter of the year as they rallied on hopes that rising interest rates would peak at some stage in 2023.

Rising inflation was perhaps the overriding factor that grabbed investors' attention throughout the period. It shot up through the year, rising to decade-high levels in many countries. In the US, it hit a 40-year high of 9.1% by June, before declining thereafter, while in the UK, it rose even further to 11.1% in October, a 41-year high. In the eurozone, it touched an all-time high of 10.6% in October.

The world's central banks began to tighten monetary policy. The US Federal Reserve (Fed) and the Bank of England (BoE) had become notably more hawkish during the final months of 2021. The Fed announced a tapering of its monthly bond-purchasing programme, while the BoE raised interest rates in December for the first time in over three years. The BoE subsequently raised interest rates a further eight times, taking them to 3.5% by the end of the year. The Fed raised interest rates for the first time this cycle in March 2022, as widely expected, before increasing them to a 15-year peak of 4.5% by year-end. This included four consecutive 75 basis point (bp) increases for the first time in the Fed's history. Meanwhile, the European Central Bank (ECB) appeared initially reluctant to raise rates, concerned about the economic effects. However, it did duly raise rates in July, and did so again a further three times, taking the benchmark rate to 2.5%.

Regarding economic growth, expectations at the turn of the year were for the global economy to continue to recover from Covid-19-related restrictions. However, developments in Ukraine, rising inflation and the cost-of-living pressures on consumers meant that the outlook for economic growth deteriorated. In the US, fears that the country might fall into recession came to pass with the confirmation of a further fall in GDP in the second quarter of 0.6%, following a 1.6% contraction in the first quarter. GDP recovered by 3.2% in the third quarter. Growth remained meagre and gradually weakened in the UK, the eurozone, Japan and Mainland China, with the risk of materially slower growth, and potentially recession, a growing threat.

US equities

The US market fell over the period, affected by the deteriorating global economic outlook, the surge in inflation and the Fed's response to it, as well as the situation in Ukraine. It followed a similar pattern to other global markets, peaking early in 2022 as the Fed warned that it would need to raise interest rates and as tensions between Russia and Ukraine escalated.

Investment Adviser's Report (continued)

US equities (continued)

Regarding Ukraine, the US moved quickly to implement sanctions against Russia and soon banned all imports of Russian oil. US relations with Mainland China were also tense, given the latter's support for Russia. Having achieved a new all-time high late in 2021, the S&P 500 Index slumped into bear-market territory (a fall in excess of 20% from peak), in US dollar terms, in the first half of 2022. Indeed, the market experienced its steepest first-half decline since 1970.

The sharp sell-off in stocks also reflected growing fears that the US economy was headed for recession. The US yield curve inverted in the summer and stayed inverted, with yields on short-dated Treasury bonds rising above the yields on longer-dated bonds. An inverted yield curve is traditionally seen as a reliable indicator of recession.

Rising inflation was another key factor influencing the market. The hope that higher inflation was just a temporary factor soon dissipated as the headline figure rate rose to a 40-year high of 9.1% in June 2022, before moderating thereafter, falling in the five successive months to 7.1% in November. The rise in inflation largely reflected spiralling energy costs, especially gasoline. Inflationary pressures prompted the Fed to raise interest rates to 4.5% by the end of the year, including four successive 75 bp rises, for the first time in the Fed's history. Fed officials (most notably Fed Chair Jerome Powell at the Jackson Hole Economic Symposium in late August) indicated that the central bank would need to continue to increase interest rates to stamp out inflation, even at the expense of causing economic contraction. In December, Powell reiterated the likelihood that rates would stay higher for longer and suggested they were unlikely to be lowered at all during 2023.

The economy fell into recession in the first half of the year as a first-quarter annualised fall of 1.6% was followed by one of 0.6% in the second quarter. However, it recovered in the third quarter by 3.2%, boosted by a resurgence in consumer spending. The trade deficit initially grew sharply as exports shrank. However, job creation remained relatively robust and the unemployment rate fell from 4.0% in January to 3.6% in November. The US dollar surged to an over 20-year high in September on the Fed's monetary policy tightening but fell back in the final months of the year.

European ex UK equities

European ex UK equities fell over the year, although they mildly outperformed other world markets in aggregate. They fell for similar reasons to other world markets, namely soaring inflation levels, the consequent tightening of monetary policy by the ECB, economic weakness and rising geopolitical concerns, notably the situation in Ukraine. Initially, Europe was preoccupied by the Omicron variant of Covid-19 and restrictions lingered into the early months of 2022. Markets fell substantially in late February as inflation expectations rose materially and tensions between Russia and Ukraine escalated. The West was quick to establish sanctions against Russia, which saw a surge in energy prices. European equities rallied in the final weeks of the period as hopes rose that central banks, particularly the Fed and the ECB, might slow the pace of their monetary tightening.

Northern European markets, such as Germany, the Netherlands and Sweden, underperformed. Germany was particularly in the spotlight early in the year owing to its marked reliance on Russian gas. Norway produced positive returns given its own wealth of oil and gas reserves.

Rising inflationary pressures were another key concern for markets. Annual consumer inflation continued to break new record-high levels, rising to an all-time high of 10.6% in October, up from 5.1% in January, mainly due to steeply surging energy prices. The ECB had initially kept monetary policy relatively loose, even as inflation levels surged ahead of its 2% mid-term target level, as it judged the risks to growth from the pandemic were greater than the risks from inflation. However, the central bank became more hawkish through the summer months as it acknowledged the growing risk that inflation was becoming entrenched. Expectations grew that the ECB would raise rates in July, which it duly did for the first time in several years. It proceeded to raise rates a further three times, taking the benchmark interest rate to 2.0% from -0.5%. The euro recovered in the second half of the year as the ECB tightened its policy. It had fallen below parity against the dollar in the late summer but rebounded thereafter.

Economic growth remained relatively meagre but positive. GDP grew by 0.8% quarter on quarter in the second quarter of 2022 but fell to just 0.3% in the third quarter. Unemployment gently declined through the year, with the rate dropping to 6.5% in October, a record low. Consumer and business confidence indicators in the eurozone deteriorated for much of the period, reflecting growing pessimism about the outlook for the economy and the squeeze on consumers and businesses from rising costs.

UK equities

The UK market outperformed both European and other global markets in 2023 and was one of the few developed markets to produce a positive return over the period. Nevertheless, it faced many of the same issues that other countries faced, namely rising inflation and interest rates, slowing economic growth and rising geopolitical concerns, most pertinently Russia's foray into Ukraine. As with other world markets, UK equities dropped significantly in late February as tensions between Russia and Ukraine escalated.

Investment Adviser's Report (continued)

UK equities (continued)

Much political and economic focus in the UK was on the growing cost-of-living crisis, with substantial increases expected in home energy prices along with the proposed national insurance hike. This produced huge uncertainty and concern among consumers and unsettled the market.

Annual inflation rose sharply, reaching 11.1% in October, marking the highest level for over 40 years. As inflation rose and appeared to become more entrenched, the BoE became more hawkish. The central bank raised rates nine times from late 2021, taking them from 0.25% to 3.5% by the end of the year. The central bank suggested that inflation could rise to more than 13% by year-end – although it had fallen back to 10.7% in November – while forecasting an economic recession from late 2022 until early 2024.

Economic conditions continued to worsen over the period. The economy grew by 0.6% quarter on quarter in the first quarter but rose just 0.1% in the second quarter. By the third quarter, GDP was falling, down 0.3% over the quarter. Consumer and business confidence indicators weakened. Unemployment declined steadily through the period, falling to 3.5% in the three months to September, the lowest rate since 1974, before finishing the period at 3.7% in October.

What was wholly unique to the UK was the extraordinary political drama in late September, as UK assets and sterling were undermined by Liz Truss's mini budget. Truss was forced to resign, becoming the shortest-serving prime minister in history. This followed the resignation of Prime Minister Boris Johnson, who was forced out despite surviving a no-confidence vote among Tory MPs. Truss was replaced by Rishi Sunak, who set about reversing most of Truss's tax-cutting proposals. UK Chancellor Jeremy Hunt produced a public services cost-cutting and tax-raising budget that sought to re-establish the UK's tarnished reputation for fiscal prudence. By the end of the period, sterling had recovered from its all-time low of near-parity against the US dollar at the end of September, and bond yields had declined from their recent highs.

Japanese equities

Japanese equities fell over the period. Japan continued to be plagued by Covid-19-related lockdowns in the early months of 2022, although these had eased by the summer months. Large parts of Tokyo and other metropolitan areas were placed under tight restrictions at the turn of the year as Covid-19 flared up again. Russia's foray into Ukraine saw the market drop further, especially as commodity prices surged, with Japan being heavily dependent on imported commodities. As Japan is a large importer of energy, the huge rise in wholesale energy costs, notably of oil, combined with the weakness in the yen caused the country's habitual trade surplus to fall into deficit. Japanese equities had a better second half of the year, recovering as other world markets rallied on the hope that the pace of interest rate hikes overseas might slacken into 2023, and that the Japanese economy might begin to break out of its long-standing deflationary period as inflation rates began to rise to generational highs.

However, while inflation began to pick up, it never climbed to the elevated rates seen in many other developed countries, and the Bank of Japan (BoJ) did not radically alter its loose monetary policy stance. Consumer inflation rose above the BoJ's mid-term target of 2%, rising to a 31-year high of 3.8% in November. While allowing the upper limit of its previously targeted 0% for 10-year government bonds to rise to 0.25%, the BoJ continued to try to limit any unwelcome rise in bond yields above that level, aggressively purchasing bonds when the yield rose above the 0.25% level. However, near the end of the year, the BoJ loosened the bands further, allowing yields to rise to 0.5%. The market took this as a sign that the BoJ was seriously considering altering its monetary policy stance, which had been ultra-easy for several years.

The economy remained fragile. While GDP rose by 4.5% in the second quarter, on an annualised basis, it fell 0.8% in the third quarter. The BoJ's Tankan survey – a quarterly indicator of economic sentiment across the economy – weakened during the period. The headline large manufacturing diffusion index had fallen from a recent peak of +18 in the third quarter of 2021, to +7 in the fourth quarter of 2022.

The protracted weakness in the yen against the US dollar, which saw it fall to below 150 – a level not seen for over 30 years – helped to boost the overseas earnings of many of Japan's largest companies. The yen's weakness reflected the divergent monetary policy stances between the BoJ and the Fed. However, the yen had recovered to close to the 130 level by the end of the year.

Investment Adviser's Report (continued)

Asia ex Japan equities

Asian ex Japan equities weakened over the year as new waves of Covid-19 reignited in certain countries, notably Mainland China, but also South Korea and Hong Kong. Inflationary worries escalated and central banks in the region tightened their monetary policies. The strength in the US dollar was a further headwind for markets, while there were also concerns about renewed geopolitical tensions.

Of the major markets in the region, South Korea and Taiwan were the weakest, as geopolitical tensions with North Korea and Mainland China, respectively, unsettled investors. The deterioration in the global economic outlook was a further headwind to both of these export-geared countries. Mainland China was also weak on economic concerns, rising new cases of Covid-19, both in the spring and then again in the late autumn, the government's tighter legislation over media and technology companies, and concerns about the outlook for the real estate sector. India produced positive returns as the economy remained relatively robust and inflation appeared to peak in the second half of the year. Shares in Indonesia were particularly strong due to the commodity boom.

Central banks across the region tightened their monetary policy in the face of pronounced inflationary pressures. Although less directly impacted by the tensions between Russia and Ukraine, a key concern for several markets was the surge in energy prices as a result of the western sanctions imposed on Russia. As with western countries, inflation rates hit decade-high levels in several Asian economies. The main exception was Mainland China, where the annual consumer inflation rate dropped to just 1.6% in November, having peaked at 2.8% in September. Owing to only moderate price pressures and weaker economic trends, the People's Bank of China kept liquidity abundant in the money markets over the period. The growing difficulties in the property market saw Mainland China's central bank continuing to pump large amounts of liquidity into the system and cutting loan rates on certain maturities.

Mainland China's economy showed signs of slowing as bottlenecks across many industries and rising energy prices negatively impacted the economy. GDP rose at an annualised rate of 4.8% in the first quarter and by just 0.4% in the second quarter, although it recovered to 3.9% in the third quarter. India was an exception to most other economies over the period as growth accelerated between the first and second quarters, rising by 4.1% year on year in the first quarter and by 13.5% in the second quarter, before slowing to growth of 6.3% in the third quarter.

Emerging market equities

Emerging markets weakened over the period as worries about still-high levels of Covid-19 in certain countries, stalling economic recovery, higher inflation and the gradual tightening in monetary policy caused market volatility and weakened investor sentiment.

In Asian, South Korea and Taiwan were the weakest markets, as geopolitical tensions with North Korea and Mainland China, respectively, caused unrest. The deterioration in the global economic outlook was a further headwind to both of these export-geared countries. Mainland China was also weak on economic concerns, rising new cases of Covid-19, both in the spring and then again in the late autumn, the government's tighter legislation over media and technology companies, and concerns about the outlook for the real estate sector. India produced positive returns as the economy remained relatively robust and inflation appeared to peak in the second half of the year. Shares in Indonesia were particularly strong due to the commodity boom.

Latin American markets markedly outperformed Asian ones, owing to many of the former being beneficiaries of rising commodity and energy prices, a consequence of Russia's foray into Ukraine's territory. Eastern European markets were also weaker in aggregate, as a result of the tensions between Russia and Ukraine, with Poland and Hungary markedly weak. However, they ultimately outperformed the emerging markets in aggregate due to a stronger second half of the year. Turkey was by far the strongest emerging market in 2022, as the central bank cut interest rates despite surging inflation that topped 85% in October.

Inflation escalated as global energy costs soared and were exacerbated by the strength in the US dollar. The dollar strength created a further headwind for markets, although its decline in the final months of the year brought relief to most emerging markets and they rallied in aggregate. A key exception was Brazil, where investors were unsettled by political tensions, namely left-winger Lula da Silva's successful campaign to become president and the uncertainty about his policies.

Mainland China's economy showed signs of slowing as bottlenecks across many industries and rising energy prices negatively impacted the economy. GDP rose at an annualised rate of 4.8% in the first quarter and by just 0.4% year on year in the second quarter, although it recovered to 3.9% in the third quarter. India was an exception to most other economies over the period, as growth accelerated between the first and second quarters, rising by 4.1% year on year in the first quarter and by 13.5% in the second quarter, before slowing to growth of 6.3% in the third quarter. Brazil's economy grew by 1.3% quarter on quarter in the first quarter, falling to 1% in the second and 0.4% in the third.

بسم الله الرحمن الرحيم

Praise be to Allah the Cherisher and Sustainer of the worlds.
Blessings and salutations be to his Prophet Mohammed, his family and all his companions.

Annual Shariah Compliance Report

Based on our review of the investments of HSBC Islamic Global Equity Index Fund (a sub fund of the HSBC ISLAMIC FUNDS) relying on the information provided to us by the representatives of HSBC ISLAMIC FUNDS, it is our resolution that the investment and transactions of the current sub-fund during the financial year ended 31 December 2022 were in compliance with the Islamic investment guidelines as interpreted and issued by HSBC Global Asset Management Shariah Committee

While Almighty Allah knows the best we undersign.

Sheikh Nizam Yaquby

Dr. Mohamed Ali Elgari

Members of HSBC Global Asset Management Shariah Committee

26 April 2023

Audit report

To the Shareholders of
HSBC Islamic Funds

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of HSBC Islamic Funds (the "Fund") as at 31 December 2022, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

What we have audited

The Fund's financial statements comprise:

- the statement of net assets as at 31 December 2022;
- the portfolio of investments and other net assets as at 31 December 2022;
- the statement of operations and changes in net assets for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

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

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report thereon.

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

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Fund for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund 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 Board of Directors of the Fund 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 Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit 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 audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment 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 Board of Directors of the Fund;

- conclude on the appropriateness of the Board of Directors of the Fund’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, we are required to draw attention in our audit 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 audit 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.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 27 April 2023

Electronically signed by
Lena Serafin

Lena Serafin

Statement of Net Assets

as at 31 December 2022

	Notes	HSBC Islamic Global Equity Index Fund USD
Assets		
Portfolio at Market Value	3.b	864,326,197
Cash at Bank		4,363,464
Receivable from Brokers		1,888,798
Receivable from Shareholders		1,766,468
Debtors		127,000
Dividend and Interest Receivable, Net		608,496
Other Assets		5,624
Total Assets		**873,086,047**
Liabilities		
Payable to Brokers		(1,888,685)
Payable to Shareholders		(816,888)
Other Liabilities	4	(994,058)
Total Liabilities		**(3,699,631)**
Total Net Assets		**869,386,416**

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

Statement of Operations and Changes in Net Assets

for the year ended 31 December 2022

	Notes	HSBC Islamic Global Equity Index Fund USD
Net Assets at the Beginning of the year		**3,056,439,943**
INCOME		
Investment Income	3.c	30,784,404
Other Income		564,855
Total Income		31,349,259
EXPENSES		
Management Fees	4	(3,666,833)
Taxe d'abonnement	5	(183)
Operating, Administrative and Servicing Fees		(6,795,203)
Other Fees		(16,228)
Total Expenses		**(10,478,447)**
Net Investment Income		**20,870,812**
Realised Gain on Sale on Investments	3.e	169,940,336
Loss on Foreign Currency		(1,535,819)
Realised Gain for the year		**189,275,329**
Change in Unrealised Depreciation of Investments		(952,266,154)
Change in Total Net Assets as a Result of Operations		**(762,990,825)**
Proceeds on Issue of Shares		1,005,497,805
Payments on Redemption of Shares*		(2,428,544,573)
Dividends Paid	6	(1,015,934)
Net Assets as at the End of the year		**869,386,416**

*This amount includes USD 1,762,300,552.98 attributable to the merger of YC GBP Class shares with the HSBC Common Contractual Fund. Further details regarding the Merger are disclosed in Note 14.

The accompanying notes form an integral part of these financial statements

Changes in the Number of Shares

for the year ended 31 December 2022

HSBC Islamic Global Equity Index Fund	Share Class AC (USD)	Share Class AC (EUR)*	Share Class AD (USD)	Share Class BC (GBP)	Share Class BC (USD)	Share Class BD (GBP)	Share Class BD (USD)	Share Class EC (USD)
Number of Shares in Issue at the Beginning of the year	3,576,539.725	-	10,846,719.869	537,663.321	333,908.508	378,417.142	136,980.188	205,714.607
Number of Shares Subscribed	2,497,382.884	198,700.972	2,186,984.629	959,323.388	1,013,632.233	137,306.483	794,682.812	473,990.678
Number of Shares Redeemed	(877,226.809)	(2,864.570)	(1,307,792.101)	(299,418.557)	(233,141.541)	(92,055.170)	(4,301.300)	(165,589.837)
Number of Shares Cancelled	-	-	-	-	-	-	-	-
Number of Shares in Issue at the End of the year	**5,196,695.800**	**195,836.402**	**11,725,912.397**	**1,197,568.152**	**1,114,399.200**	**423,668.455**	**927,361.700**	**514,115.448**

*Launched on 13/01/2022

HSBC Islamic Global Equity Index Fund	Share Class IC (EUR)**	Share Class IC (GBP)	Share Class IC (USD)	Share Class ID (USD)	Share Class WD (USD)	Share Class YC (GBP)***	Share Class YD (USD)****	Share Class ZC (USD)
Number of Shares in Issue at the Beginning of the year	-	418,622.998	12,010,412.683	1,082,006.864	1,374,238.928	51,420,144.413	1,849,554.675	1,633,466.286
Number of Shares Subscribed	100.000	17,198,431.744	6,487,532.664	256,851.362	9,053.000	12,944,404.841	1,396,126.862	106,197.025
Number of Shares Redeemed	-	(1,245,668.525)	(3,671,059.138)	(112,783.852)	(1,341,512.277)	(12,842,363.190)	(3,245,681.537)	(159,215.011)
Number of Shares Cancelled	-	-	-	-	-	(51,522,186.064)	-	-
Number of Shares in Issue at the End of the year	**100.000**	**16,371,386.217**	**14,826,886.209**	**1,226,074.374**	**41,779.651**	-	-	**1,580,448.300**

** Launched on 02/11/2022

*** Closed 18/11/2022, number of shares cancelled attributable to the merger with the HSBC Contractual Fund. Further details regarding the Merger are disclosed in Note 14.

**** Closed 30/09/2022

Statistics over the last three years

for the year ended 31 December 2022

Sub-Fund	Total Expense Ratio (TER) 31 December 2022	Shares Outstanding 31 December 2022	Net Asset Value per Share 31 December 2020	31 December 2021	31 December 2022
HSBC Islamic Global Equity Index Fund USD					
AC (USD)	0.94%	5,196,695.800	USD 19.01	USD 23.88	USD 17.85
AC (EUR)*	1.09%	195,836.402	-	-	EUR 8.15
AD (USD)	0.90%	11,725,912.397	USD 17.76	USD 22.27	USD 16.62
BC (GBP)	0.63%	1,197,568.152	GBP 10.33	GBP 13.14	GBP 11.02
BC (USD)	0.66%	1,114,399.200	-	USD 11.58	USD 8.68
BD (GBP)	0.63%	423,668.455	GBP 12.43	GBP 15.75	GBP 13.15
BD (USD)	0.60%	927,361.700	-	USD 12.79	USD 9.56
EC (USD)	1.78%	514,115.448	-	USD 11.70	USD 8.67
IC (GBP)	0.58%	16,371,386.217	-	GBP 13.02	GBP 10.93
IC (USD)	0.48%	14,826,886.209	USD 18.58	USD 23.45	USD 17.60
IC (EUR)**	0.10%	100.000	-	-	EUR 9.65
ID (USD)	0.48%	1,226,074.374	USD 20.12	USD 25.38	USD 18.95
WD (USD)	0.00%	41,779.651	USD 19.33	USD 24.27	USD 18.11
YC (GBP)***	-	-	GBP 25.69	GBP 32.76	-
YD (USD)****	-	-	USD 14.86	USD 18.65	-
ZC (USD)	0.10%	1,580,448.300	USD 22.37	USD 28.35	USD 21.36
Total Net Assets			**USD 1,857,495,463**	**USD 3,056,439,943**	**USD 869,386,416**

*Launched on 13/01/2022

**Launched on 02/11/2022

***Closed 18/11/2022, number of shares cancelled attributable to the merger with the HSBC Contractual Fund. Further details regarding the Merger are disclosed in Note 14

****Class YD (USD) closed 30/09/2022

Portfolio of Investments and Other Net Assets

as at 31 December 2022

HSBC Islamic Global Equity Index Fund
Statement of investments as at 31 December 2022
(expressed in USD)

Description	Quantity	Currency	Evaluation	% net assets
INVESTMENTS				
TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				
SHARES				
AUSTRALIA				
BHP BILLITON	240,020	AUD	7,440,807	0.85
CSL	22,739	AUD	4,395,230	0.51
WESTFARMERS	52,976	AUD	1,639,364	0.19
			13,475,401	**1.55**
CAYMAN ISLANDS				
Pinduoduo Inc ADR V4Ord	25,644	USD	2,113,322	0.24
			2,113,322	**0.24**
CHINA				
MEITUAN DIANPING	192,340	HKD	4,535,663	0.52
TENCENT HOLDINGS	254,721	HKD	10,954,547	1.26
			15,490,210	**1.78**
DENMARK				
NOVO NORDISK "B"	73,885	DKK	9,971,656	1.15
			9,971,656	**1.15**
FRANCE				
AIR LIQUIDE	23,609	EUR	3,392,087	0.39
ESSILOR INTERNATIONAL	13,911	EUR	2,551,422	0.29
KERING	3,253	EUR	1,674,531	0.19
L'OREAL	11,453	EUR	4,137,674	0.48
SANOFI	52,366	EUR	5,081,795	0.58
SCHNEIDER ELTE	25,928	EUR	3,692,088	0.42
			20,529,597	**2.35**
GERMANY				
SAP	49,811	EUR	5,185,043	0.60
			5,185,043	**0.60**
INDIA				
RELIANCE INDUSTRIES	83,970	USD	5,155,758	0.59
			5,155,758	**0.59**
IRELAND				
ACCENTURE CORP	30,181	USD	8,099,977	0.93
LINDE	23,681	USD	7,808,810	0.90
MEDTRONIC	63,888	USD	4,971,125	0.57
			20,879,912	**2.40**
JAPAN				
DAIICHI SANKYO	91,054	JPY	2,886,253	0.33
DAIKIN INDUSTRIES	13,885	JPY	2,126,132	0.24
FAST RETAILING	2,944	JPY	1,745,738	0.20
HOYA	17,030	JPY	1,620,870	0.19
KEYENCE	9,434	JPY	3,653,219	0.42
MURATA MANUFACTURING	30,752	JPY	1,524,385	0.18
NIDEC	24,753	JPY	1,273,091	0.15
RERUIT HOLDINGS	80,393	JPY	2,560,387	0.29
SHIN-ETSU CHEMICAL	19,790	JPY	2,415,353	0.28
TOKYO ELECTRON	7,398	JPY	2,171,783	0.25
			21,977,211	**2.53**

Description	Quantity	Currency	Evaluation	% net assets
NETHERLANDS				
ADYEN	1,406	EUR	1,978,117	0.23
ASML HOLDING	18,454	EUR	10,170,698	1.17
PROSUS	52,974	EUR	3,735,525	0.43
			15,884,340	**1.83**
SOUTH KOREA				
SAMSUNG ELECTRONICS	220,936	KRW	9,662,128	1.11
SK HYNIX	25,680	KRW	1,523,132	0.18
			11,185,260	**1.29**
SWEDEN				
ATLAS COPCO "A"	185,997	SEK	2,139,522	0.25
			2,139,522	**0.25**
SWITZERLAND				
ABB "R"	77,102	CHF	2,376,094	0.27
CIE FINANCIERE RICHEMONT "A"	23,700	CHF	3,119,367	0.36
LONZA GROUP	3,406	CHF	1,700,971	0.20
NESTLE "R"	104,564	CHF	12,257,822	1.41
NOVARTIS "R"	108,423	CHF	9,951,200	1.14
ROCHE HOLDING	31,690	CHF	10,049,179	1.16
ROCHE HOLDING 'B'	1,220	CHF	480,074	0.06
SIKA	7,012	CHF	1,714,466	0.20
			41,649,173	**4.80**
TAIWAN				
Mediatek Inc TWD10	83,000	TWD	1,698,037	0.20
TAIWAN SEMICON MANUFACTURING	602,337	TWD	8,737,614	1.01
			10,435,651	**1.21**
UNITED KINGDOM				
ANGLO AMERICAN	61,244	GBP	2,402,485	0.28
ASTRAZENECA	69,892	GBP	9,560,040	1.10
RECKITT BENCKISER	33,222	GBP	2,300,935	0.26
RELX	90,376	GBP	2,526,195	0.29
RIO TINTO	48,366	GBP	3,401,101	0.39
UNILEVER (GB00B 10RZP78)	118,596	GBP	6,006,743	0.69
			26,197,499	**3.01**
UNITED STATES				
3M CO	26,608	USD	3,208,127	0.37
ABBOTT LABORATORIES	83,518	USD	9,212,871	1.06
ADOBE SYSTEMS	22,269	USD	7,517,569	0.86
ADVANCED MICRO DEVICES	77,232	USD	5,006,178	0.58
ALPHABET 'A'	286,108	USD	25,306,253	2.91
ALPHABET 'C'	253,623	USD	22,559,766	2.59
AMAZON.COM	425,136	USD	35,787,948	4.12
AMGEN	25,559	USD	6,726,106	0.77
APPLE	474,012	USD	61,436,695	7.07
Applied Mats	41,209	USD	4,003,042	0.46
BRISTOL MYERS SQUIBB	101,844	USD	7,342,952	0.84
BROADCOM CORP COM	19,400	USD	10,821,514	1.24
CHEVRON	85,212	USD	15,195,004	1.75
CISCO SYSTEMS	196,677	USD	9,342,158	1.07
COCA-COLA	186,431	USD	11,922,262	1.37

Portfolio of Investments and Other Net Assets (continued)

as at 31 December 2022

HSBC Islamic Global Equity Index Fund
Statement of investments as at 31 December 2022
(expressed in USD)

Description	Quantity	Currency	Evaluation	% net assets
ConocoPhillips Com USD0.01	59,687	USD	6,946,970	0.80
DANAHER	31,383	USD	8,374,553	0.96
ELI LILLY	37,776	USD	13,864,547	1.59
EXXON MOBIL	197,267	USD	21,541,556	2.48
FACEBOOK	107,712	USD	12,953,445	1.49
HOME DEPOT	49,037	USD	15,711,945	1.81
HONEYWELL INTERNATIONAL	32,204	USD	6,915,809	0.80
INTEL	197,684	USD	5,181,298	0.60
INTUITIVE SURGICAL	16,927	USD	4,532,881	0.52
JOHNSON & JOHNSON	125,234	USD	22,236,549	2.56
LOWES	29,732	USD	6,013,594	0.69
MASTERCARD	40,662	USD	14,158,915	1.63
MERCK & CO	121,446	USD	13,458,646	1.55
MICROSOFT	273,386	USD	65,888,760	7.58
MONDELEZ INTERNATIONAL "A"	65,872	USD	4,411,448	0.51
NIKE "B"	60,339	USD	7,080,782	0.81
NVIDIA	119,272	USD	17,417,290	2.00
PEPSICO	65,993	USD	12,009,406	1.38
PFIZER	268,879	USD	13,801,559	1.59
PROCTER AND GAMBLE	113,509	USD	17,320,338	1.99
QUALCOMM	53,696	USD	5,897,969	0.68
S&P GLOBAL	15,951	USD	5,420,309	0.62
SALESFORCE.COM	47,900	USD	6,348,666	0.73
SERVICENOW	9,713	USD	3,786,613	0.44
STARBUCKS	55,170	USD	5,504,311	0.63
TARGET CORP COM	22,286	USD	3,306,574	0.38
TESLA MOTORS	128,741	USD	15,683,229	1.80
TEXAS INSTRUMENTS	43,473	USD	7,173,914	0.83
THERMO FISHER SCIENTIFIC	18,786	USD	10,463,990	1.20
UNION PACIFIC	29,449	USD	6,161,320	0.71
UNITED PARCEL SERVICES	34,959	USD	6,144,044	0.71
VISA "A"	78,318	USD	16,294,843	1.87
WAL MART STORES	67,607	USD	9,610,335	1.11
			627,004,853	**72.11**
TOTAL SHARES			**849,274,408**	**97.69**
DEPOSITARY RECEIPTS				
CAYMAN ISLANDS				
ALIBABA GROUP HOLDING	91,181	USD	8,126,963	0.93
JD.COM	55,944	USD	3,193,843	0.37
			11,320,806	**1.30**
INDIA				
INFOSYS	181,687	USD	3,313,971	0.38
			3,313,971	**0.38**
TAIWAN				
TAIWAN SEMICONDUCTOR	5,487	USD	417,012	0.05
			417,012	**0.05**
TOTAL DEPOSITARY RECEIPTS			**15,051,789**	**1.73**
TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING			**864,326,197**	**99.42**
TOTAL INVESTMENTS			**864,326,197**	**99.42**
OTHER NET ASSETS LESS LIABILITIES			**5,060,219**	**0.58**
TOTAL NET ASSETS			**869,386,416**	**100.00**

Portfolio of Investments and Other Net Assets (continued)

as at 31 December 2022

HSBC Islamic Global Equity Index Fund

Economic Division of Investment
(expressed as a percentage of net assets)

	%
Technology	37.59
Healthcare	18.77
Consumer Goods	11.06
Consumer Services	10.54
Industrials	7.75
Oil & Gas	5.62
Financials	4.55
Basic Materials	3.29
Other Investments	0.25
Other net assets less liabilities	0.58
Total Net Assets	**100.00**

Notes to the Financial Statements
for the year ended 31 December 2022

1. Basis of presentation

HSBC ISLAMIC FUNDS (the "Company") is incorporated under the laws of the Grand Duchy of Luxembourg as an investment company with variable capital (Société d'Investissement à Capital Variable). The capital comprises various Shares of different classes (the "Share Classes" or "Classes of Shares") within different compartments each relating to a separate portfolio (a "sub-fund") consisting of securities, cash and other sundry assets and liabilities.

The accompanying financial statements present the assets and liabilities of the only sub-fund of the Company which therefore represents the Company as a whole. The financial statements of the Company are expressed in the currency designated in the Company's prospectus for the sub-fund and the financial statements of the Company are expressed in United States dollars (USD). The Company's financial statements have been prepared in accordance with the format prescribed by the Luxembourg law for Luxembourg investment companies.

The Company qualifies as an undertaking for collective investment in transferable securities under Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended (the "2010 Law") and is authorised by the Commission de Surveillance du Secteur Financier.

In the Company's prospectus and in the reports, the short name of the sub-fund is used. The complete name of the sub-fund is "HSBC Islamic" plus the short name of the sub-fund.

Due to UK Holiday on the 30th December 2022, the last official NAV released was the 29th December 2022. Please refer to Fund Holiday Calendar on page 31.

2. Share Capital

The Company currently offers the following Classes of Shares:

Class	Description
Class A	A Shares are available to all investors. The minimum initial investment amount and the minimum holding for A Shares are USD 5,000 or the equivalent in the relevant currency of denomination of the sub-fund.
Class B	B Shares are available to sub-distributors who are prohibited from accepting and retaining inducements from third parties under applicable laws and regulations or court rulings or sub-distributors who have a separate fee arrangement with their clients in relation to the provision of investment services and activities (for example, in the European Union, services and activities performed under MiFID II) and who have opted not to accept and retain inducements from third parties. The minimum initial investment amount and the minimum holding for B Shares are USD 5,000 or the equivalent in the relevant currency of denomination of the sub-fund.
Class E	E Shares are available in certain countries, subject to the relevant regulatory approval, through certain distributors selected by the global distributor. The minimum initial investment amount and the minimum holding for E shares are USD 5,000 or the equivalent in the relevant currency of denomination of the sub-fund.
Class I	I Shares are only available for investors qualifying as institutional investors within the meaning of article 174 of the 2010 Law. The minimum initial investment amount and the minimum holding for I Shares are USD 1,000,000 or the equivalent.
Class S	S Shares are available through specific distributors selected by the Global Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law. The minimum initial investment amount and the minimum holding for S Shares are USD 500,000 or the equivalent. S Shares will incur no charges. All the fees and charges allocated to such class of Shares will be paid directly by members or affiliated entities of the HSBC Group. No S Shares were issued as at 31 December 2022.
Class W	W Shares are available through certain distributors selected by the Global Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law. The minimum initial investment amount and the minimum holding for W Shares are USD 100,000 or the equivalent. W Shares will incur no charges. All the fees and charges allocated to such class of Shares will be paid directly by members or affiliated entities of the HSBC Group.
Class Y	Y Shares are available to certain distributors selected by the Global Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law. The minimum initial investment amount and the minimum holding for Y Shares are USD 100,000 or the equivalent.
Class Z	Z Shares are available to investors having entered into a discretionary management agreement with an HSBC Group entity and to investors subscribing via distributors selected by the Global Distributor provided that such investors qualify as institutional investors within the meaning of article 174 of the 2010 Law. The minimum initial investment amount and the minimum holding for Z Shares are USD 1,000,000 or the equivalent.

Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

2. Share Capital (continued)

The Board of Directors has resolved to issue Distribution and Capital-Accumulation Shares as different classes of the sub-funds. Capital-Accumulation Shares of the Company are identifiable by a "C" following the sub-fund and Share Class names and do not pay any dividends. Distribution Shares of the Company are identifiable by a "D" following the sub-fund and Share Class names.

The Company has applied for UK reporting fund status for certain distributing Share Classes from the accounting period commencing on 1 April 2010. Prior to this, the Company had applied UK distributor status for such distributing Share Classes.

Details of which Share Classes have UK reporting fund status can be found on the HM Revenue & Customs' website at www.hmrc.gov.uk. At the date of this report the exact location of this report is https://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds.xlsm.

As at 31 December 2022, the following Classes were open:

HSBC Islamic Global Equity Index Fund

Class	Launch date
AC (USD)	12 November 2009
AC (EUR) *	13 January 2022
AD (USD)	09 January 2001
BC (GBP)	23 October 2020
BC (USD)	27 April 2021
BD (GBP)	24 April 2020
BD (USD)	09 March 2021
EC (USD)	09 April 2021
IC (EUR) **	02 November 2022
IC (GBP)	01 March 2021
IC (USD)	31 March 2017
ID (USD)	25 February 2016
WD (USD)	31 March 2004
ZC (USD)	14 May 2014

*Launched on 13/01/2022
**Launched on 02/11/2022

3. Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Company's financial statements.

a) Accounting convention

The financial statements have been prepared under the historical cost convention modified by the revaluation of investments.

b) Assets and portfolio securities valuation

Investments are included in the Statement of Net Assets at their market value at 31 December 2022. The market values are based on closing mid-market prices on leading markets.

c) Income and Expenses

Dividends are accounted for on an ex-dividend basis.

d) Foreign Exchange

The cost of investments, income and expenses in currencies other than the Company's relevant reporting currency have been recorded at the rate of exchange ruling at the time of the transaction. The market value of the investments and other assets and liabilities in currencies other than the relevant reporting currency has been converted at the rates of exchange ruling at 31 December 2022.

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

3. Accounting Policies (continued)

e) Realised Gain/(Loss) on Sale of Investments

Realised gain/(loss) on sale of investments is the difference between the historical average cost of the investment and the sale proceeds.

4. Charges and Expenses

Management Fees

The Company pays to the Management Company a management fee per annum on the basis of the net asset value of the sub-funds, calculated daily and payable monthly in arrears at the rate disclosed in the Company's prospectus. The fee covers all management, advisory and distribution services provided to the sub-fund by the Management Company, the Investment Adviser and the distributors. The Management Company is responsible for discharging, out of such fee, the fees of the Investment Adviser and the distributors and other recognised intermediaries or such other person as the Management Company may determine at its discretion.

The management fee payable to the Management Company out of the net asset value of the relevant category of shares issued in the sub-fund is as follows:

HSBC Islamic Global Equity Index Fund	
A	0.750%
B	0.375%
E	1.530%
I	0.375%
S	0.000%
W	0.000%
Y	0.000%
Z	0.000%

S and W Shares incur no charges. All the fees and charges allocated to such Share Classes will be paid directly by members or affiliated entities of the HSBC Group.

Z Shares incur no annual management charge.

Operating, Administrative and Servicing Fees

Specific provisions for Y Shares - Operating, Administrative and Servicing Expenses

Y Shares incur operating, administrative and servicing expenses fixed at 0.30% of the net asset value per annum. This fee is paid quarterly in arrears. The excess of such expenses above such annual rate will be borne directly by the Management Company or its affiliates, and equally the Management Company or its affiliates may retain any surplus.

The Company pays to the Management Company a fee of 0.01% p.a. on the net asset value of the sub-funds payable monthly.

The Company pays to HSBC Bank plc a fee for its services rendered with respect to the appointment of the Shariah Committee. The fee is payable at the end of each calendar quarter. It currently amounts to USD 2,500 and is subject to annual review. The Company also pays reasonable related out-of-pocket expenses of the Shariah Committee.

The Company pays to the Depositary Bank a fee which is payable quarterly in arrears. In addition the Depositary Bank is entitled to be reimbursed by the Company for its reasonable out-of-pocket expenses and disbursements and the fees and expenses of its correspondent banks.

The Company pays to the Administration Agent and the Registrar and Transfer Agent a fee which has been agreed between the parties based on different services and transactions provided. This fee is payable quarterly.

The Company also pays other expenses incurred in its operation including the fees of its auditors and legal advisers, the cost of printing and distributing the annual and half-yearly reports, the prospectus, the Key Investor Information Documents, the costs and expenses incurred in connection with the formation and registration of the Company in various jurisdictions, and fees and expenses involved in registering and maintaining the registration of the Shares of the Company (the "Shares"), with any governmental agency or stock exchange, the cost of publication of prices, fees of the Board of Directors and reasonable out-of-pocket expenses incurred by them and its other operating expenses such as accounting and pricing costs and other recurring or non-recurring expenses.

4. Charges and Expenses (continued)

Allocation of Charges and Expenses

The sub-fund or each Class of Shares is charged with all costs or expenses attributable to it. Costs and expenses not attributable to the sub-fund or Class of Shares are allocated between the Class of Shares on an equitable basis. Charges and expenses shall be charged first against investment income. The costs and expenses incurred in connection with the formation and registration of the Company as a UCITS in Luxembourg and elsewhere and the offer of Shares, all legal and printing costs and other preliminary expenses were borne by the sub-funds out of their assets on a pro rata accrual basis and amortised against capital over five years when incurred. As at 31 December 2022 all such formation expenses have been fully amortized.

Directors' Fees, Expenses and Interests

A Director may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is interested, provided that he has disclosed to the other Directors, prior to the conclusion of any such transaction or arrangement, the nature and extent of any interest of his therein. Subject to approval of the Board, a Director may vote in respect of any contract or arrangement or any proposal whatsoever in which he has an interest, having first disclosed such interest. He shall not be disqualified by his office from contracting with the Company. If a Director declares his interest in any contract which the Company is considering entering into, he may be counted in the quorum of any meeting to consider the contract and may vote on any resolution to enter into such contract.

The Company pays an annual fee to each of the Independent Directors amounting to EUR 10,000. This amount is paid by the Management Company through the operating, administrative and servicing expenses paid by the Company. The amount of Operating, Administrative and Servicing Expenses is accrued with every net asset value calculation and paid quarterly in arrears. For the year-end as at 31 December 2022, a total of EUR 30,000 has been charged as Independent Directors fees.

5. Taxation of the Company

The Company is not subject to taxation in Luxembourg on its income, profits or gains.

The Company is not subject to net wealth tax in Luxembourg.

No stamp duty, capital duty or other tax will be payable in Luxembourg upon the issue of the Shares of the Company.

The sub-fund is, nevertheless, in principle, subject to a subscription tax (taxe d'abonnement) levied at the rate of 0.05% per annum based on their net asset value at the end of the relevant quarter, calculated and paid quarterly.

A reduced subscription tax rate of 0.01% per annum is however applicable to any sub-fund whose exclusive object is the collective investment in money market instruments, the placing of deposits with credit institutions, or both. A reduced subscription tax rate of 0.01% per annum is also applicable to any sub-fund or Share Classes provided that their shares are only held by one or more institutional investors within the meaning of article 174 of the 2010 Law (an "Institutional Investor").

A subscription tax exemption applies to:

- The portion of any sub-fund's assets (prorata) invested in a Luxembourg investment fund or any of its sub-funds to the extent it is subject to the subscription tax;
- Any sub-fund (i) whose securities are only held by Institutional Investor(s), and (ii) whose sole object is the collective investment in money market instruments and the placing of deposits with credit institutions, and (iii) whose weighted residual portfolio maturity does not exceed 90 days, and (iv) that have obtained the highest possible rating from a recognised rating agency. If several Share Classes are in issue in the relevant sub-fund meeting (ii) to (iv) above, only those Share Classes meeting (i) above will benefit from this exemption;
- Any sub-fund, whose main objective is the investment in microfinance institutions;
- Any sub-fund, (i) whose securities are listed or traded on a stock exchange and (ii) whose exclusive object is to replicate the performance of one or more indices. If several Share Classes are in issue in the relevant sub-fund meeting (ii) above, only those Share Classes meeting (i) above will benefit from this exemption; and
- Any sub-fund only held by pension funds and assimilated vehicles.

Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

5. Taxation of the Company (continued)

Withholding tax

Interest and dividend income received by the Company may be subject to non-recoverable withholding tax in the source countries. The Company may further be subject to tax on the realised or unrealised capital appreciation of its assets in the countries of origin. The Company may benefit from double tax treaties entered into by Luxembourg, which may provide for exemption from withholding tax or reduction of withholding tax rate.

Distributions made by the Company as well as liquidation proceeds and capital gains derived therefrom are not subject to withholding tax in Luxembourg.

6. Dividends

At the Annual General Meeting of the Company held on 19 April 2022, the following dividends were declared, out of the profits of the Company for the year ended 31 December 2021, for the Classes of Shares listed below:

Sub-Fund	Dividend per share
HSBC Islamic Global Equity Index Fund	
-Class AD (USD)	0.027692
HSBC Islamic Global Equity Index Fund	
-Class BD (GBP)*	0.089444
HSBC Islamic Global Equity Index Fund	
-Class BD (USD)	0.037062
HSBC Islamic Global Equity Index Fund	
-Class ID (USD)	0.116989
HSBC Islamic Global Equity Index Fund	
-Class WD (USD)	0.226151
HSBC Islamic Global Equity Index Fund	
-Class YD (USD)	0.123824

*The dividend rates disclosed in the note are reported in Sub-fund currency by using the exchange rate as at record dates of the distributions.

7. Transactions Expenses

The transaction expenses linked to security dealing have been written off against the realised gain/(loss) on the sale of investments.

The sub-fund bears the costs and expenses of buying and selling portfolio securities and financial instruments, brokerage fees and commissions, taxes payable, and other transaction related expenses. These transaction fees are accounted for on a cash basis and are paid when incurred or invoiced from the net assets of the sub-fund to which they are attributable. Transaction fees are allocated across each sub-fund's Share Classes.

The Company bears any extraordinary expenses including, without limitation, litigation expenses and the full amount of any tax, levy, duty or similar charge and any unforeseen charges imposed on the Company or its assets.

The Company incurred transaction costs relating to purchase or sale of transferable securities, money market instruments, or other eligible assets:

HSBC Islamic Global Equity Index Fund	USD 410,080

8. Dividend Purification

The Shariah Committee has issued guidelines to quantify the annual amount of income of the Company that should be donated to charity, being derived from companies eligible for investment pursuant to the investment objective, policy and restrictions set out in the Prospectus for each sub-fund, but that are engaged in an activity or activities of a marginal nature which is or are proscribed by the Shariah Committee and which is not or are not screened out by the investment restrictions. Such amount will be calculated on an annual basis, based on the purification ratios, expressed as a percentage of each company's dividend. The purification ratios will be provided by the relevant index provider for each sub fund, for all companies in which the sub-funds have invested. For companies, whose purification ratios are not provided by the index provider, purification ratios will be calculated based on the financial information of these companies received from the Investment Advisers. Such income will be disbursed as a charitable donation to one or more worthy causes approved by the Shariah Committee.

HSBC Islamic Global Equity Index Fund	USD 414,670.09

Notes to the Financial Statements

9. Forward Foreign Exchange Contracts

The Company may use Shariah compliant Forward Foreign Exchange Contracts for hedging purposes. As at 31 December 2022, there were no open Forward Foreign Exchange contract entered into.

10. Commitment Approach

There are currently no derivative positions in the sub-fund, however, if approved by the Shariah Committee, the sub-funds may, to a limited extent, enter into simple positions in financial derivative instruments transactions for investment purposes other than hedging techniques and efficient portfolio management, in particular to gain exposure on financial markets when the relevant sub-fund Investment Adviser believes that it is more efficient to purchase financial derivative instruments than the corresponding physical securities. The sub-fund will use the commitment approach.

The commitment approach is generally calculated by converting the derivative contract into the equivalent position in the underlying asset embedded in that derivative, based on the market value of the underlying. Purchased and sold financial derivative instruments may be netted in accordance to the CESR's guidelines 10/788 in order to reduce global exposure. Beyond these netting rules and after application of hedging rules, it is not allowed to have a negative commitment on a financial derivative instrument to reduce overall exposure and as such, risk-exposure numbers will always be positive or zero.

11. Disclosure requirements for Index-tracking UCITS: HSBC Islamic Global Equity Index Fund

The HSBC Islamic Global Equity Index Fund is the sole index tracking sub-fund existing at the date of this report.

The annualised tracking error for the year ended 31 December 2022 is 0.132%

The annualised tracking errors are internally calculated by HSBC Global Asset Management (UK) Limited, based upon investment accounting performance returns using close of market prices, gross of fees, based on monthly data points. For example, 12 monthly points for 1 year, 36 monthly points for 3 years and 60 monthly points for 5 years.

The anticipated level of tracking error between the HSBC Islamic Global Equity Index Fund and the index "Dow Jones Islamic Market Titans 100 index", in normal market conditions is 0.20%. The HSBC Islamic Global Equity Index Fund is in line with anticipated tracking error.

12. Total Expense Ratio

The Total Expense Ratio ("TER") has been computed by the Administrator as required per the Swiss Funds & Asset Management Association "AMAS" guidelines on the calculation and disclosure of the TER of collective investment schemes. The actual expenses incurred during the year are annualised and calculated as a percentage of the average Assets Under Management of the share class for the year.

Synthetic TER is applicable for a sub-fund that invests at least 10% of its net assets as a fund of funds in other collective investment schemes (target funds) which publish a TER within the meaning of the present guidelines. A composite (synthetic) TER of the fund of funds is to be calculated by the administrator, as of the closing date of the financial year or the end of the first half of the financial year.

13. Anti-Dilution Mechanisms

When investors buy or sell shares in a sub-fund, the Investment Adviser may need to buy or sell the underlying investments within the sub-fund. Without an anti-dilution mechanism to take account of these transactions, all shareholders in the sub-fund would pay the associated costs of buying and selling these underlying investments. These transaction costs can include, but are not limited to, bid-offer spreads, brokerage and taxes on transactions.

There are two anti-dilution mechanisms available to the sub-fund, a pricing adjustment and an anti-dilution levy, both mechanisms aim to protect shareholders in a sub-fund.

There is an adjustment of the Net Asset Value per Share for a pricing adjustment and no adjustment of the Net Asset Value per Share for an anti-dilution mechanism.

Each mechanism has three main components:

1. A threshold rate

2. A buy rate

3. A sell rate

These components may be different for each sub-fund. Details of which anti-dilution mechanism is in operation on a particular sub-fund can be obtained from the Management Company.

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

13. Anti-Dilution Mechanisms (continued)

Should the Company decide to change the anti-dilution mechanism in operation for a particular sub-fund (i.e. from a pricing adjustment to an anti-dilution levy or vice versa), prior approval will be sought from relevant regulators (where required) and affected investors will receive at least one month's prior written notification.

Anti-Dilution Levy

The anti-dilution levy aims to mitigate the effect of transactions costs on the Net Asset Value of a sub-fund incurred by net subscriptions or redemptions.

The anti-dilution levy is triggered when the difference between subscriptions and redemptions, as a percentage of the sub-fund's Net Asset Value, exceeds the threshold on any particular Dealing Day. In the case of net capital inflows, the anti-dilution levy will be deducted from each subscription amount and accordingly reduce the number of Shares received by an investor or, in the case of net capital outflows, will be deducted from each redemption amount and accordingly reduce the redemption proceeds received by an investor.

The amount of the anti-dilution levy may be reduced or waived at the discretion of the Board of Directors. The amount of the anti-dilution levy may be reduced or waived at the discretion of the Board of Directors.

Investors should note that sub-distributors may levy the sales charge (if any) on an investor's full subscription and may not take into acount the application of an anti-dilution levy.

Pricing Adjustment

The pricing adjustment aims to mitigate the effect of transactions costs on the Net Asset Value per Shares of a sub-fund incurred by significant net subscriptions or redemptions

The Company uses a partial swing pricing adjustment which means that the pricing adjustment is triggered when the difference between subscriptions and redemptions, as a percentage of the sub-fund's Net Asset Value, exceeds the threshold on any particular Dealing Day. The Net Asset Value of the sub-fund will be adjusted up or down using the adjustment rates (buy adjustment rate for net subscriptions or sell adjustment rate for net redemptions).

The adjustment of the Net Asset Value per Share will apply equally to each Share Class in a specific sub-fund on any particular Dealing Day. The pricing adjustment is applied to the capital activity at the level of a sub-fund and does therefore not address the specific circumstances of each individual investor transaction. These components may be different for each sub-fund.

If it is in the interests of shareholders, when the net capital inflows or outflows in a sub-fund exceeds a predefined threshold agreed from time to time by the Board of Directors, the Net Asset Value per Share may be adjusted by a maximum rate, as disclosed in the latest prospectus available, in order to mitigate the effects of transaction costs.

Under normal market conditions, this adjustment will not exceed 2%. However, it may be significantly higher during exceptional market conditions such as periods of high volatility, reduced asset liquidity and market stress. The current adjustment rates for each sub-fund are available on HSBC Global Asset Management's website in the Fund Centre at www.assetmanagement.hsbc.com.

The pricing adjustment rates are reviewed on at least a quarterly basis by the relevant investment management team and agreed with the local risk team. The swing threshold rates are reviewed on at least a yearly basis. Recommendations to adjust the pricing adjustment rates and thresholds are made through the respective Pricing/Valuation committee and submitted to the Management Company for consideration and review.

In the event that the proposal is accepted, the Management Company will implement at the changes at the next available opportunity. Changes to the swing threshold rates require additional approval from the Board of Directors before implementation.

Until the threshold rate is triggered, no anti-dilution levy or pricing adjustment is applied and the transaction costs will be borne by the sub-fund. This will result in a dilution (reduction in the Net Asset Value per Share) to existing shareholders.

For the avoidance of doubt, it is clarified that fees other than the sales charge will continue to be calculated on the basis of the unadjusted Net Asset Value for pricing adjustment.

A list of the sub-funds that have applied the mechanism of pricing adjustment (whether the NAV has swung or not) during the financial period is available at https://www.assetmanagement.hsbc.co.uk/en/intermediary/fund-centre.

As at 31 December 2022, there were no pricing adjustment.

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

14. Significant Events

Impact of Pandemics

Pandemics can impact global markets in several ways, including: (i) adding ongoing uncertainty to global markets as there is currently no clarity as to how long a pandemic will continue (ii) impeding regular business operations across many different businesses, including manufacturers and service providers; and (iii) slowing down or stopping international, national, and local travel. By way of an example, all of these factors and more have been seen in recent years with the global outbreak of COVID-19. Notwithstanding that Covid 19 cases are again on the rise coupled with a risk of new variants, the initial impact on global markets on certain industries has started to lessen however, the financial impact of the outbreak to date, and whether or not any new variant will give rise to further challenges, cannot be estimated reliably. The Board continues to monitor the situation and receives regular updates from the Management Company. As at 31 December 2022, to our knowledge, the impact of COVID-19 has not affected the Investment Managers' ability to execute the investment strategy of the sub-fund, nor has there been interruption to key service providers engaged by the Company

Share Class Merger

In October 2022, the board wrote to holders of YCGBP Class shares (the "Merging Class") to inform them that a decision had been taken to proceed with a merger of the Merging Class with compatible classes of the Irish domiciled HSBC UCITS Common Contractual Fund – Islamic Global Equity Index Fund (the "Receiving Fund"). The board determined that the merger was in the interests of the Merging Class shareholders due to the tax transparent status of the Receiving Fund. The tax transparency makes the Receiving Fund a tax efficient vehicle for, among others, UK Defined Contribution Pension Scheme and Life Company investors. The merger was effected on 18th November 2022 by the transfer of all remaining assets and liabilities of the Merging Class into the elected classes of the Receiving Fund.

Russia's invasion of Ukraine

Russia's invasion of Ukraine has had, and could continue to have, severe adverse effects on regional and global economic markets for securities and commodities. Following Russia's actions, various governments have issued broad-ranging economic sanctions against Russia including, among other actions:

- a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs;
- the removal by certain countries and the European Union of selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications ("SWIFT"), the electronic banking network that connects banks globally; and
- restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions.

The current events, including sanctions and the potential for future sanctions, which include (but not limited to) those impacting Russia's energy sector, and other actions, and Russia's retaliatory responses to those sanctions and actions, could continue to have, an adverse effect on global markets performance and liquidity, thereby negatively affecting the value of the portfolios' investments beyond any direct exposure to Russian issuers. They also give rise to material uncertainty and risk with respect to markets globally and the performance of the Portfolios and their investments or operations could be negatively impacted. Investors should be aware that the duration of the ongoing hostilities and the vast array of sanctions and related events cannot be predicted. The Company does not have any exposure to Russian securities.

15. Subsequent Events

There were no events subsequent to the annual report date which would require adjustments to or disclosures in these financial statements.

Publication of performance for sub-funds distributed in Switzerland – Information concerning the Swiss Investors (Unaudited)

Publication of Performance for sub-funds distributed in Switzerland is required as per the AMAS (Asset Management Association Switzerland)[#] guidelines on the calculation and publication of performance data of collective investment schemes.

Sub-fund	ISIN	Share Class	Share Class Currency	Calendar Year Performance		
				2020	2021	2022
HSBC Islamic Global Equity Index Fund	LU0466842654	AC	USD	27.04%	25.63%	(25.28)%
HSBC Islamic Global Equity Index Fund	LU0110459103	AD	USD	26.23%	25.68%	(25.25)%
HSBC Islamic Global Equity Index Fund	LU0187035489	WD	USD	26.30%	26.83%	(24.56)%
HSBC Islamic Global Equity Index Fund	LU0466843462	ZC	USD	28.05%	26.72%	(24.66)%
HSBC Islamic Global Equity Index Fund	LU1313573898	ID	USD	20.38%	26.16%	(24.93)%
HSBC Islamic Global Equity Index Fund	LU1569385302	IC	USD	27.58%	26.21%	(24.94)%
HSBC Islamic Global Equity Index Fund	LU2092166128	BD	GBP	24.30%	27.31%	(16.06)%
HSBC Islamic Global Equity Index Fund	LU2092165666	BC	GBP	3.30%	27.15%	(16.07)%
HSBC Islamic Global Equity Index Fund	LU2092164776	IC	GBP	-	30.20%	(16.04)%
HSBC Islamic Global Equity Index Fund	LU2233257695	BD	USD	-	27.95%	(25.02)%
HSBC Islamic Global Equity Index Fund	LU2288915254	EC	USD	-	17.04%	(25.91)%
HSBC Islamic Global Equity Index Fund	LU2233258073	BC	USD	-	15.80%	(25.04)%
HSBC Islamic Global Equity Index Fund	LU0806931092	AC*	EUR	-	-	(18.55)%
HSBC Islamic Global Equity Index Fund	LU2373168785	IC*	EUR	-	-	(3.47)%

Past performance is not an indication of current or future performance. The performance data do not take the commissions on the issue and redemption of shares into account.

*The share class is launched during 2022 and hence the performance for 2022 does not represent a full 12 month period.

Currency Conversion Table (Unaudited)

To help shareholders in the Company calculate the performance of their individual investment in the reference currency, the following table has been produced.

The table shows the value of one US dollar against various currencies (as at the given dates).

The market value of investments as well as other assets and liabilities expressed in currencies other than the reporting currency are translated at the exchange rate prevailing as at 31 December 2022.

The consolidated figures are expressed in USD and include the total of the financial statements of the sub-fund. For the Statement of Net Assets and the Statement of Operations and Changes in Net Assets, the exchange rate prevailing at the sub-fund's valuation point in Luxembourg as at 31 December 2022 is:

	31 December 2022	**31 December 2021**
	USD	**USD**
AUD	1.4781	1.3786
CHF	0.9235	0.9138
DKK	6.9716	6.5628
EUR	0.9375	0.8825
GBP	0.8296	0.7409
HKD	7.7943	7.8004
JPY	133.2250	115.1550
KRW	1,264.5000	1,188.7500
SEK	10.4563	9.0470
TWD	30.7455	27.6670

Fund Holiday Calendar for 2022 (unaudited)

HSBC ISLAMIC FUNDS

HSBC Islamic Global Equity Index Fund will have no net asset value (the "NAV") calculated on the following days. Any requests for subscriptions or redemptions of shares received on these dates will be held over to the next Dealing Day:

- all Saturdays and Sundays

In addition, the sub-fund will have no NAV calculated on the following days:

03-Jan	UK
17-Jan	US
21-Feb	US
15-Apr	Luxembourg, UK, US
18-Apr	Luxembourg, UK
02-May	UK
09-May	Luxembourg
26-May	Luxembourg
30-May	US
02-Jun	UK
03-Jun	UK
06-Jun	Luxembourg
20-Jun	US
23-Jun	Luxembourg
04-Jul	US
15-Aug	Luxembourg
29-Aug	UK
05-Sep	US
19-Sep	UK
01-Nov	Luxembourg
24-Nov	US
23-Dec	UK
26-Dec	Luxembourg, US
27-Dec	UK
30-Dec	UK

Appendix I (Unaudited Additional Disclosures) – Taxation of the Company (foreign countries)

The following summary is based on the Company's understanding of the law and practice currently in force in the in other jurisdictions and is subject to changes therein.

United Kingdom

It is the intention of the Board of Directors to conduct the affairs of the Company so that it does not become resident in the United Kingdom. On the basis that the Company is not resident in the United Kingdom for tax purposes it should not be subject to United Kingdom corporation tax on its income and capital gains.

The table below shows reporting income for the previous financial year ended 31 December 2021, as per Chapter 7 of the UK Offshore Funds (Tax) regulations 2009. The information should be used by UK tax payers for the purposes of completing their UK tax returns.

Sub-Fund	Share Class / Series	ISIN Code	Currency of the following amounts	Per class excess reportable income over distributions in respect of the reporting year	Fund distribution date	Does the fund remain a reporting fund at the date this report is made available?	Distribution per class in respect of the reporting year	Date of distribution*
HSBC Islamic Global Equity Index Fund	Class AC (USD)	LU0466842654	USD	0.0260	30 June 2022	Yes	0.0000	N/A
HSBC Islamic Global Equity Index Fund	Class AD (USD)	LU0110459103	USD	0.0044	30 June 2022	Yes	0.0277	29 April 2022
HSBC Islamic Global Equity Index Fund	Class IC (USD)	LU1569385302	USD	0.1180	30 June 2022	Yes	0.0000	N/A
HSBC Islamic Global Equity Index Fund	Class ID (USD)	LU1313573898	USD	0.0000	30 June 2022	Yes	0.1170	29 April 2022
HSBC Islamic Global Equity Index Fund	Class WD (USD)	LU0187035489	USD	0.0027	30 June 2022	Yes	0.2262	29 April 2022
HSBC Islamic Global Equity Index Fund	Class YC (GBP)	LU1092475968	GBP	0.2156	30 June 2022	Yes	0.0000	N/A
HSBC Islamic Global Equity Index Fund	Class YD (USD)	LU1063824095	USD	0.0157	30 June 2022	Yes	0.1238	29 April 2022
HSBC Islamic Global Equity Index Fund	Class ZC (USD)	LU0466843462	USD	0.2451	30 June 2022	Yes	0.0000	N/A
HSBC Islamic Global Equity Index Fund	Class BC (GBP)	LU2092165666	GBP	0.0551	30 June 2022	Yes	0.0000	N/A
HSBC Islamic Global Equity Index Fund	Class BD (GBP)	LU2092166128	GBP	0.0000	30 June 2022	Yes	0.0719	29 April 2022
HSBC Islamic Global Equity Index Fund	Class EC (USD)	LU2288915254	USD	0.0000	30 June 2022	Yes	0.0000	N/A
HSBC Islamic Global Equity Index Fund	Class BD (USD)	LU2233257695	USD	0.0000	30 June 2022	Yes	0.0371	29 April 2022
HSBC Islamic Global Equity Index Fund	Class BC (USD)	LU2233258073	USD	0.0291	30 June 2022	Yes	0.0000	N/A
HSBC Islamic Global Equity Index Fund	Class IC (GBP)	LU2092164776	GBP	0.0521	30 June 2022	Yes	0.0000	N/A

As at the date of this report, the above-mentioned sub-fund remains reporting fund.

* The date upon which a declared dividend was scheduled to be paid.

Appendix II (Unaudited Additional Disclosures) – UK SORP Disclosure

Investment Risk

Information in relation to certain investment risks are disclosed for selected sub-fund as follows:

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as market prices, foreign exchange rates and interest rates. It comprises of three major types of risks i.e. currency risk, interest rate risk and other price risk.

As it is invested in equities, the Fund is exposed to the risk that the equity markets decline. This risk is monitored in absolute terms by the equity exposure and relative to the benchmark by the calculation of the ex-ante tracking-error.

The Sharia committee has expressly declared the use of financial derivatives instruments as inappropriate for the sub-fund, unless otherwise approved by the committee.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Investing in assets denominated in a currency other than that of the investor's own currency perspective exposes the value of the investment to exchange rate fluctuations. The Fund does not enter into any FX hedging transactions in order to manage its exposure to foreign exchange movements.

The table below summarises the sub-fund's exposure to currency risks.

Sub-fund	Currency	Net currency exposure in Sub-fund currency
HSBC Islamic Global Equity Index Fund		
	Other	194,595,385

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

HSBC Islamic Global Equity Index Fund aims to track the performance of the Dow Jones Islamic Market Titans 100 Index, through investment in a diversified portfolio of securities as defined by the relevant index. The sub-fund does not invest in fixed income securities; hence the Fund's portfolio is not exposed to interest rate risk.

(iii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

HSBC Islamic Global Equity Index Fund aims to track the performance of a world index, i.e. Dow Jones Islamic Market Titans 100 Index, through investment in a diversified portfolio of securities as defined by the relevant index, which meets Islamic investment principles as interpreted and laid down by the Shariah Committee and provided to the Board of Directors. The sub-fund does not invest in fixed income securities, thus the Fund is not exposed to credit risk.

Credit ratings

All amounts due from brokers, cash and short-term deposits are held by parties with a credit rating of AA-/Aa or higher.

Appendix II (Unaudited Additional Disclosures) – UK SORP Disclosure (continued)

Investment Risk (continued)

Market risk (continued)

(iv) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Other price risk arises principally in relation to the sub-fund's return seeking portfolio which includes shares and depositary receipts.

The sub-fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

At the year end, the sub-fund's exposure to investments subject to other price risk was:

HSBC Islamic Global Equity Index Fund	
	USD
Direct	
Shares	849,274,408
Depositary Receipts	15,051,789

Fair Value Hierarchy

Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments has been determined using the following fair value hierarchy:

Category (a) The quoted price for an identical asset in an active market.

Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.

Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique which uses:

C (i) observable market data; or

C (ii) non-observable data.

All the investments of HSBC ISLAMIC FUNDS detailed in the "Portfolio of Investments and Other Net Assets" are classified as "Transferable Securities admitted to an official stock exchange listing", hence are classified under category (a).

Appendix III (Unaudited Additional Disclosure) – Sustainable Finance Disclosure Regulation ("SFDR")

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activitie