

Fund Strategy & Outlook

The market had a strong performance in April with the S&P Saudi Shariah TR Index increasing by 4.6% and the Fund higher by 3.6%. Turnover increased 17.7% MoM with ADTV at SAR 4.91bn.

TASI sectors had a mixed performance with Media, Consumer Durables and Utilities being up by 45.8%, 12.9% and 10.1% respectively. Food & Beverage, Materials and Retailing were among the worst performing sectors losing 0.18%, 0.15% and 0% respectively. Banks were up by 8.6% in April.

Brent was 6.97% higher in April, ending the month at USD 75.17/barrel, and on average was 11.13% higher MoM. The possibility of extending the supply cuts beyond 2019. Increased geopolitical tensions (speculation on Iran sanctions) and declines in Venezuelan output were the main reasons for the increase in Oil prices.

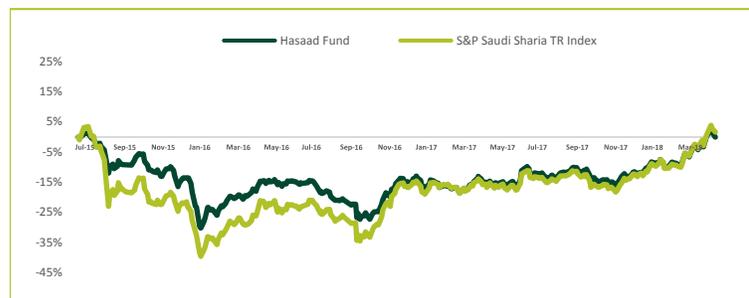
The country's Q4'17 trailing Current Account balance is up to SAR 57bn from SAR -89bn in 2016. The improvement was mainly driven by higher export revenues due to a rise in energy prices. In line with the 24.6% YoY rise in the Brent price, goods exports increased by 20% YoY in 2017. On the financial account side, there was net outflow of SAR 11.7bn in Q4'17, down from SAR 93bn in 4Q16. The net portfolio balance posted an inflow of SAR 66bn whereas FDI and other investments were negative (this means a net acquisition of assets) at SAR 5.2bn and SAR 30.5bn, respectively. FX reserve assets have increased by USD 11.2bn, the first quarterly increase since Q3'14.

Saudi Arabia's labour force survey for Q4'17 showed that Saudisation efforts are accelerating the pace of job losses for expats. The number of expat employees shrunk by 277k in Q4'17, compared to more than the previous three quarters' combined job losses of 189k. This brought total lost expat jobs to 466k in 2017, with the number rising to 575k, when including domestic labour. Construction continued to lead lost jobs, accounting for 51% of total, followed by trade (26%) and manufacturing (10%). The Passport Control Authority reported that 811k expats had left the Kingdom in the past 18 months (the labour survey numbers do not include family members). On a positive note, Q4'17 saw major gains in the employment of nationals, whose employed numbers jumped by 100k. Women represented 55% of the newly employed Saudis and were mostly employed in the trade (53%), social services (24%) and financial and business services (12%). Unemployment for nationals remained unchanged at 12.8%, as employment growth is still overwhelmed by that of population.

Focus on diversifying the economy away from oil continues. The government launched "Qiddiya", a huge entertainment resort outside Riyadh. It is a 334sqkm site (2.5x the size of Disney World). It will include a Six Flags theme park, water parks, motor sports, cultural events, and vacation homes. Qiddiya is expected to attract 1.5mn visitors annually when the first phase opens in 2022.

Sector loans rose 0.5% QoQ in Q1'18 compared to a decline of 1.6% in Q4'17. Building & construction segment (+6% QoQ) and agriculture and fishing segment (+13% QoQ) showed relatively strong trends while the important commerce segment also showed a modest recovery. Loan growth on a YoY basis is still weak as loans were down 1% YoY at the end of Q1'18. Deposits were down 1.1% QoQ and 0.5% YoY as of Q1'18 and down 0.6% MoM. On a more positive note, 3M Saibor averaged 1.99% in March 2018, up 9bps MoM. A rising Saibor should be positive for bank NIMs. The share of government securities in bank assets continued to increase, reaching 12.1% in March. Combined POS/ATM transactions rose 8% YoY in March and rose 5% YoY in Q1'18.

Investor focus is expected to shift toward the MSCI EM inclusion announcement in the mid of June. The expectations are for a positive announcement, a precursor from the positive announcement from FTSE in March 2018. We believe that there is a high likelihood of Saudi Arabia's inclusion. The investment manager's focus remains on large caps and selected mid cap names. Higher Oil prices also suggest that the pace of austerity cuts would slow down and the timelines stretched. The above factors make the investment manager optimistic on the market performance in the coming period.



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Objective

The principal objective of the Fund is medium to long term capital appreciation by investing in Sharia compliant equities listed on the Tadawul exchange.

Fund Performance

	Hasaad Fund	S&P TR ¹	Difference ²
Month to Date*	3.6%	4.6%	-1.0%
YTD	13.2%	15.5%	-2.3%
2017	2.5%	3.8%	-1.3%
2016	-0.3%	10.5%	-10.8%
2015	-13.7%	-23.3%	9.6%
Inception to Date**	-0.1%	1.6%	-1.7%

* MTD figures reflect performance between March 31, 2018 and April 30, 2018

** Fund's inception date was July 1, 2015

¹ S&P Saudi Shariah TR Index

² For comparative purposes only, the fund is managed on an absolute return basis

Fund Characteristics

No. of Holdings	24
Weighted Market Cap	SAR 91.9 billion
Dividend Yield*	4.1%
P/E Ratio 18	20.8

*Figure reflects the weighted average yield of a dividend-bearing security in the fund

Fund Metrics

	Hasaad Fund	S&P TR
Volatility	13.8%	18.4%
Beta *	0.7	-

*Calculated vs. the S&P Saudi Shariah TR Index since the Fund's inception

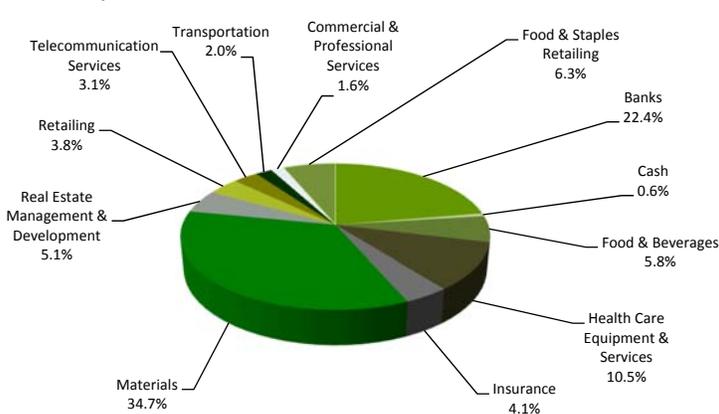
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	19.2%
Saudi Basic Industries Corp	Materials	14.1%
Abdullah Al Othaim Markets Co	Food & Staples Retailing	6.3%

Fund Information

NAV per share	SAR 9.9893
Launch Date	July 1, 2015
Management fee	1.25%
Minimum Subscription	SAR 10,000
Subscription/Redemption	Twice Weekly

Allocation by Economic Sector



Fund Identifiers

ISIN	XC000A14XYV2
Reuters Code	LP 68330160
Bloomberg Ticker	EFGHSE AB