

Fund Strategy & Outlook

The market had a strong performance in August with the S&P Saudi Shariah Index gaining 2.5% and the Fund gaining 2.1%. Turnover increased 4% MoM with daily traded value averaging SAR 2.86bn.

Sector-wise performance in August was mixed, with Capital Goods, Consumer Services and the Banking sectors gaining 8.3%, 5.2% and 4.8%, respectively. Media, Healthcare and Utilities were among the worst performing sectors losing 8.7%, 3.3% and 1.2%, respectively. Materials gained 1.2% during the month.

Brent was flat in August to end the month at USD 52.86/barrel, and on average was 4.4% higher MoM. The EIA expects US shale drillers to post strong gains in August and September with output growing by 117kbbd to 6.15 million barrels in September. The latest reports marks the sixth straight month of forecasted production growth above 100kbbd. The supply side remains buoyant while demand expectations have been increased as well, indicating prices to be range-bound at current levels in the foreseeable future.

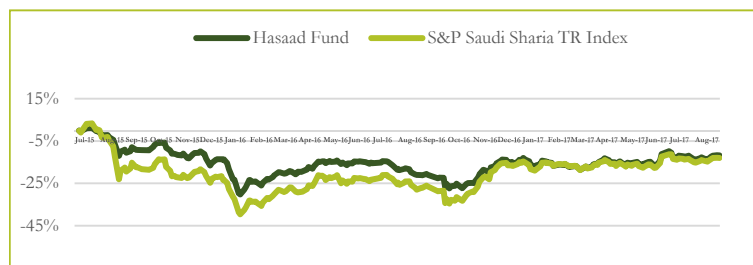
Excess bank liquidity dropped 12% MoM as banks' holdings of government bonds rose 8% MoM to SAR 215bn. Government bonds now represent 9.4% of assets, up from 8.7% in June 2017. Deposits declined by 0.3% MoM, while loans were flat MoM. Time deposits were stable at 29.4% of total deposits at the end of July 2017. SAMA's net foreign assets fell by USD6.3bn from June to USD487bn in July, their lowest level since early 2011. The reserves shrank 12.8% from a year earlier. The spike in public financing needs was partly driven by a one-off government pay-out for the backdating of the reversal of public sector wage reform. While the pay-out adds to the fiscal consolidation challenge, it has provided a short-term boost to consumption.

Combined ATM/ POS transactions rebounded in July as expected (+4% YoY), confirming that June's slump reflected the earlier timing of Ramadan; however, transactions still fell by 3% YoY on a 3m moving average basis - consumer spending trends remain weak.

The budget deficit in 1H17, at SAR 47bn, was better than expected, mainly due to a strong improvement in oil revenue at 63% YoY. We may see some acceleration in expenditures on account of public sector salary reinstatements and expenditures to support economic growth. Hence, the Government's total budget deficit target of SAR198 billion (or 7.7% of GDP) looks achievable.

Cement sales volumes fell 15% YoY in August 2017, but were 6.6% higher MoM. Construction activity is still slow and the sector keeps suffering on account of cuts in government spending on infrastructure.

The focus for the near term would be the announcement from FTSE. The prospect of Saudi Arabia's inclusion to FTSE EM looks promising and is set to be announced on the 29th of September. The FTSE EM index inclusion could result in inflows of c. USD 3.8-6.5bn, depending on the Aramco IPO, with the weight ranging from c. 2.6%-4.5%. If Saudi does make the cut, implementation would likely begin a year later over two phases, during the September 2018 and March 2019 reviews.



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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*	2.1%	2.5%	-0.4%
YTD	2.5%	2.7%	-0.2%
2016	-0.3%	10.5%	-10.8%
2015	-13.3%	-11.6%	-1.7%
Inception to Date**	-11.8%	-13.0%	1.2%

* MTD figures reflect performance between July 31, 2017 and August 31, 2017

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

¹ S&P Saudi Sharia TR Index

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

Fund Characteristics

No. of Holdings	23
Weighted Market Cap	SAR 81.7 billion
Dividend Yield*	3.7%
P/E Ratio 17	17.0

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

Fund Metrics

	Hasaad Fund	S&P TR
Volatility	14.9%	20.2%
Beta *	0.69	-

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

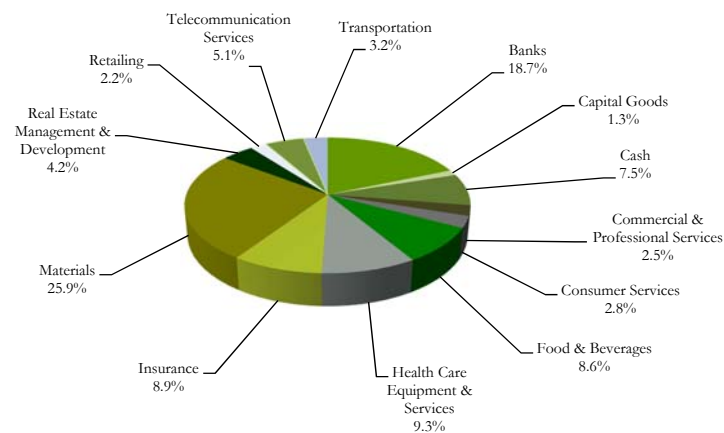
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	14.7%
Saudi Basic Industries Corp	Materials	13.8%
Saudi Telecom Co	Telecommunication Services	5.1%

Fund Information

NAV per share	SAR 8.8197
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	EFGHFSE AB