

### Fund Manager's Strategy & Outlook

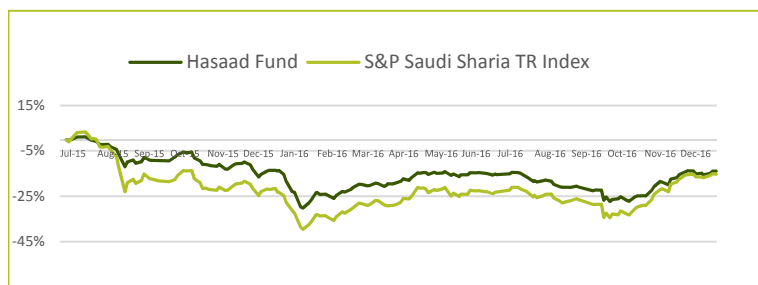
The Saudi market had a positive performance in December with the S&P Saudi Sharia TR Index gaining 2.6% for a YTD gain of 10.5%. The Fund gained 1.9% during the month and is now down 0.3% YTD. Turnover increased 1.2% MoM with daily traded value averaging SAR 5.48 billion.

All TASI sectors were up in December, with the exception of the telecom sector which was down by 0.66%. Energy, building & construction and the hotel sectors were among the top performing sectors gaining 16.3%, 8.9% and 7.6%, respectively. Banks and petrochemicals underperformed gaining 1.65% and 2.76%, respectively. Cash decreased to 17.30% at month end.

Brent gained 12.6% in December to end the month at the year-high of USD 56.82/barrel on the back of the OPEC and non-OPEC production cuts announcement, and expectations that the oil producing countries will comply with their promised quotas.

Saudi Arabia announced its 2017 budget which is broadly positive and expansionary. The 2017 budgeted estimated expenditure of SAR 890 billion (+6% YoY) and revenue of SAR 692 billion (+34.7% YoY) is mainly driven by a combination of expected higher oil revenue and additional borrowing. This translates to an expected deficit of SAR 198 billion in 2017, down from deficits of SAR 297 billion and SAR 367 billion in 2016 and 2015, respectively. The government also announced that it expects the budget to balance by 2020 which we believe would largely depend on the price of oil. The feedstock subsidy reforms have been delayed to 2019-20 which is positive for petrochemicals and cement producers in the medium term. An expat levy was announced which increases every year until 2020 and will hurt companies with low Saudization levels, such as the healthcare, construction, retail and food industries. Electricity prices for households will be 100% linked to export reference prices by mid-2017 and for industrial users by early to mid-2018. Low income households will get a monthly cash payment. The linking of gasoline and diesel prices to export reference prices would be implemented from 2017 to 2020.

With stronger oil prices and renewed investor confidence, we believe the Saudi market will remain positive in the short term. Q4'16 results are expected to be weak, with cement expected to post the weakest numbers. All eyes will be on price of Oil, the announcements leading to a favorable outcome for MSCI EM inclusion in 2018 and the success of the International Sukuk that the government plans to issue in February. The Investment Manager is cautiously optimistic on the market in the short term and expects to increase equity exposure taking advantage of the market volatility that is expected in the short term.



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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	S&P TR <sup>1</sup>	Difference <sup>2</sup>
Month to Date*	1.9%	2.6%	-0.7%
YTD	-0.3%	10.5%	-10.8%
2015	-13.3%	-11.6%	-1.7%
Inception to Date**	-13.9%	-15.3%	1.4%

\* MTD figures reflect performance between November 30, 2016 and December 31, 2016

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

<sup>1</sup> S&P Saudi Sharia TR Index

<sup>2</sup> For comparative purposes only; the fund is managed on an absolute return basis

### Fund Characteristics

No. of Holdings	18
Weighted Market Cap	SAR 67.6 billion
Dividend Yield*	4.3%
P/E Ratio 16	17.4

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

### Fund Metrics

	Hasaad	S&P TR
Volatility	16.2%	23.0%
Beta *	0.7	-

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

### Top Three Equity Holdings

Holding	Sector	% of NAV
Saudi Basic Industries	Petrochemical Industries	3.9%
Al Rajhi bank	Banks & Financial Services	3.1%
Advanced Petrochemical Co	Petrochemical Industries	2.0%

### Fund Data

NAV per Share	8.6087
Management Fee	1.25%
Minimum Subscription	SAR 10,000
Subscription / Redemption	Twice Weekly
Inception Date	July 1 <sup>st</sup> , 2015

### Fund Identifiers

ISIN Code	XC000A14XYV2
Bloomberg Ticker	EFGHFSE AB Equity
Reuters Code	LP 68330160

### Allocation by Economic Sector

