

## Fund Strategy & Outlook

The market had a positive performance in December with the S&P Saudi Shariah TR Index increasing by 3.7% and the Fund increasing by 1.4%. Turnover increased 21% MoM with daily traded value averaging SAR 4.11bn.

TASI sectors had a mixed performance with Capital Goods, Media and Diversified Financials being up by 10.3%, 8.8% and 8.4% respectively. Utilities and Food & Beverage were among the worst performing sectors losing 11.6%, and 2.7%, respectively.

Brent was 5.2% higher in December, ending the month at USD 66.87/barrel, and on average was 2% higher MoM. Declining inventories, the unrest in Iran and an explosion at a crude pipeline in Libya, cutting output by 70k – 100k bpd, were the main reasons for the rally in Oil prices.

The budget deficit reached 8.9% in 2017, a significant improvement from the 17.2% recorded in 2016, but slightly overshoot the budgeted 7.8%, IMF's forecast of 8.6% and the 9 month run-rate of 6.4%. The non-oil deficit remained mostly unchanged at 26.3% of total GDP in 2017. Total spend came in at SAR 926bn, 4.0% ahead of budget and 8.2% higher than IMF's forecasts on retroactive disbursement of employee compensation and bonuses, as well as ensuring that contractors are paid within 60 days. Oil revenues were 8% below the budget due to the delay in the implementation of subsidy reforms.

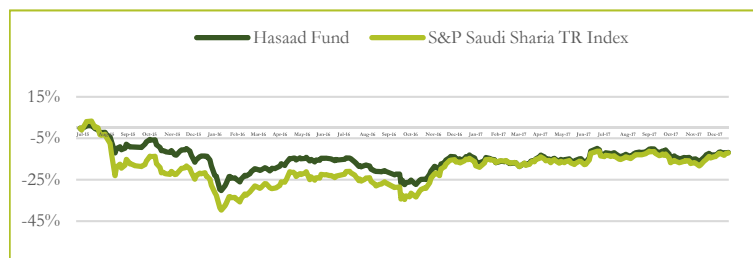
The government expects 2018 deficit to be 7.3% and spending to increase by at least 5.6% to SAR 978bn and CapEx by 13.9% to SAR 205bn (21.0% of total spend vs. 19.4% in 2017). The total spend can even exceed SAR 1.1tn after incorporating another SAR 50bn from Development Funds and SAR 83bn from PIF's new and existing projects. The government is committed to keeping Debt/GDP below 30% over the fiscal balance period (now 2023), while government reserves will be kept above SAR 250bn (vs. SAR 580bn currently).

A total of 700k families were recipients of the first installment of SAR 2bn of the Citizen's Account program on December 21. Half the households received the average monthly payout of SAR 938, the smallest payout was SAR 300. The next monthly installment will be paid on Jan. 10, 2018, and on the 10th of every month going forward. 82% of those families who applied for the program received assistance. The Labor Ministry had said that it had received applications from 3.7 million households, representing 13 million total beneficiaries.

King Salman approved SAR72bn worth of measures to stimulate growth in the private sector as authorities seek to pull the economy out of a slump caused by low oil prices. The measures include residential housing loans worth SAR21.3bn, a SAR10bn fund to support economic projects, and SAR1.5bn to support distressed companies. A SAR2.8bn government fund will be created to invest in smaller companies, while the government will adjust the fees which it charges for services to save smaller companies SAR7bn.

SAMA raised its reverse repo rate by 25bps to 1.50% after the U.S. Federal Reserve tightened policy. The repo rate, used to lend money to banks, was left unchanged. SAMA banking statistics show sluggish loan and deposit trends in November. Loan growth was -1% YoY and -0.2% MoM in November and sector loans are up a marginal 0.4% YTD. Meanwhile, deposits were down 1.5% YoY in November, versus a decline of 0.5% YoY in October and down 1.1% YTD. The sector's liquidity was stable MoM with LDR at 88%. Growth in Govt and Quasi Govt bonds was up 2% MoM and 40% YoY in November.

With the budget announced, all eyes will be on the Q4 results. We expect strong results for the petrochemical sector and select mid caps and small caps. Banks are expected to post more or less stable numbers. The increase in fuel and electricity prices as well as VAT would likely see the consumer and related sectors underperform.



EFG-Hermes Asset Management  
Tel: 966 11 293 8048/9 Fax: 966 11 293 8032  
[AMsales@efg-hermes.com](mailto:AMsales@efg-hermes.com)

## 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 <sup>1</sup>	Difference <sup>2</sup>
Month to Date*	1.4%	3.7%	-2.3%
YTD	2.5%	3.8%	-1.3%
2017	2.5%	3.8%	-1.3%
2016	-0.3%	10.5%	-10.8%
2015	-13.7%	-23.3%	9.6%
Inception to Date**	-11.8%	-12.0%	0.2%

\* MTD figures reflect performance between November 30, 2017 and December 31, 2017

\*\* 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	26
Weighted Market Cap	SAR 74.2 billion
Dividend Yield*	4.1%
P/E Ratio 17	16.1

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

## Fund Metrics

	Hasaad Fund	S&P TR
Volatility	14.2%	19.1%
Beta *	0.7	-

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

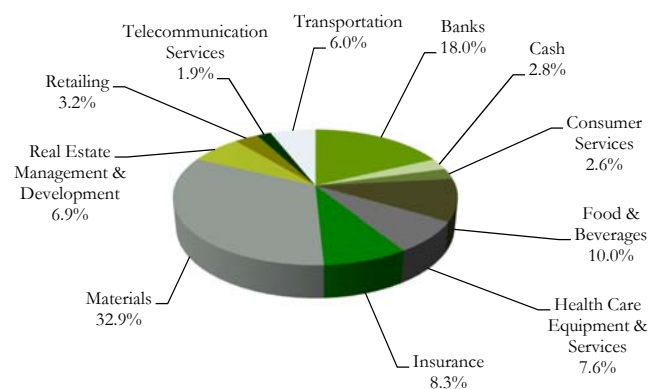
## Top Holdings

Holding	Sector	% Holding
Saudi Basic Industries Corp	Materials	14.3%
Al Rajhi Bank	Banks	14.0%
Co for Cooperative Insurance	Insurance	5.7%

## Fund Information

NAV per share	SAR 8.8212
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