

## Fund Strategy & Outlook

The **S&P Sharia TR Index** rose by +1.4%, weighing up **YTD performance to 11.4%**. The rally was driven by Petrochemical and Bank sectors.

Brent was 14.3% down in December, ending the month at USD 53.80 barrel. The price has slumped due to US-China trade war and global economy slowdown fears. The USA has surpassed Russia and Saudi Arabia as the world's biggest oil producer. Saudi Arabia output reached 10.55mn bpd in December, down from 11.20 mn bpd in November. The OPEC expects world oil demand to rise by 1.29mn bpd. They also agreed to wipe off 1.2m bpd effective from January 2019. In our view, reduction in Iran's output effective from May 2019 and OPEC's output cuts will stabilize oil price.

The budget deficit in 2018 reached SAR 136bn (4.6% of the GDP) lower than the approved budget of SAR 195bn due to 39% increase in total revenues. Total revenues in 2018 reached SAR 895bn (up 29.4% YoY) due to an increase in oil revenues as well as higher contribution from non-oil segments.

The government expects the budget deficit in 2019 to reach 4.2% of the GDP compared to 4.6% in 2018. Total revenues is set to reach SAR 975b (9.0% YoY) driven by higher oil and non-oil revenues. The government will continue implementing fiscal balance program initiatives in 2019, including increasing the effectiveness of VAT management, continuing the energy prices reforms as well as the application of expat levy.

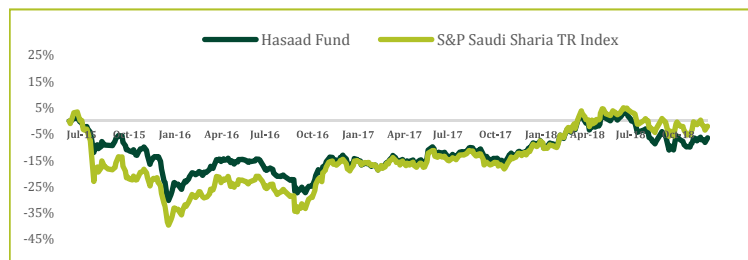
Spending is set to reach SAR 1,106bn (+7.3% YoY), driven by 19.9% increase in capital spending. The government is planning to increase spending on housing projects, launching mega projects and developing the infrastructure to stimulate economic growth and create more jobs for citizens.

On the 19th December 2018, SAMA raised benchmark repo rate (lending) from 275 bps to 300 bps and reverse repo (deposit) rate from 225 bps to 250 bps. The objective of the policy rate adjustment is to maintain monetary stability after the US Fed interest rate hikes. In our opinion, banks with liquid balance sheets and low asset duration are expected to benefit the most from rising rates.

Data released by SAMA in November exhibited credits to private sector grew by 2.3% YoY while deposits rose by 1.5% YoY. Government reserves reached SAR 624.6bn (-1.2% MoM) while, Foreign reserves rose by 2.0% YoY. Combined ATM/POS transactions declined by 5.4% YoY, supported by spending surge in Restaurants and Hotels as well as Food and Beverage segments. Cost of living increased by 2.8% YoY.

**The Hassad** exhibited positive performance of 2.1% in December 2018, outperforming the benchmark by 0.7%, mainly due to overweighs in Materials and Financials sectors.

The fund is invested in high-quality businesses across various sectors which we believe will attract inflows post Kingdom's inclusion in MSCI EM index in mid-2019. Commodity chemicals and banks represent the largest investment allocation. Our investments in petrochemicals are well positioned to benefit from stable global supply demand environment and wider product spreads, while our investments in Commercial Banks are best positioned for a higher interest rate environment. Additionally, our banks in the portfolio are well capitalized and sport a liquid balance sheet capable of supporting loan growth should credit demand in the country improve.



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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 <sup>1</sup>	Difference <sup>2</sup>
Month to Date*	2.1%	1.4%	0.7%
YTD	6.1%	11.4%	-5.3%
2018	6.1%	11.4%	-5.3%
2017	2.5%	3.8%	-1.3%
2016	-0.3%	10.5%	-10.8%
2015	-13.7%	-23.3%	9.6%
Inception to Date**	-6.4%	-2.0%	-4.4%

\* MTD figures reflect performance between November 30, 2018 and December 31, 2018

\*\* 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	12
Weighted Market Cap	SAR 73.7 billion
Dividend Yield*	3.9%
P/E Ratio	15.9x

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

## Fund Metrics

	Hasaad Fund	S&P TR
Volatility	14.0%	17.9%
Beta *	0.7	-

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

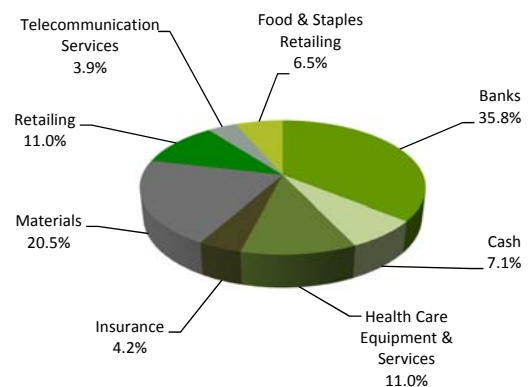
## Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	19.9%
Saudi Basic Industries Corp	Materials	15.6%
Alinma Bank	Banks	10.0%

## Fund Information

NAV per share	SAR 9.3572
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