

## Fund Strategy & Outlook

The Saudi market had a weak performance in February with the S&P Saudi Sharia TR Index losing 1.6%. The Fund lost 2.1% during the month. Turnover decreased 16.5% MoM with daily traded value averaging SAR 3.75 billion.

All TASI sectors were down in February, with the exception of the Utilities, Capital Goods, Retailing and Food & Staples sectors which were up by 7%, 3.5%, 1.4% and 1.1%, respectively. Media, Consumer Services & Transportation sectors were among the worst performing sectors losing 15%, 7.5% and 4.3%, respectively. Banks underperformed losing 4%, while materials lost 0.72%. The fund's Cash increased to 10.4% at month-end.

Brent gained 1% in February to end the month at USD 56.51/barrel, but on average was flat MoM. OPEC compliance with agreed supply cuts stood at 94% at the end of February.

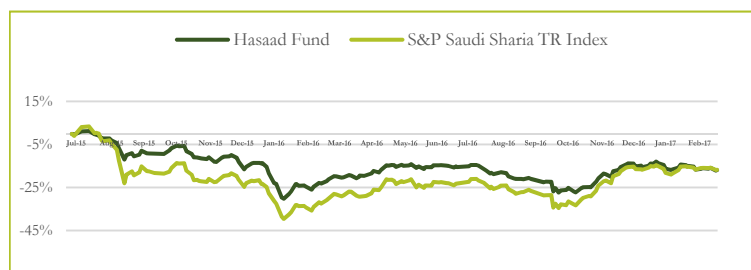
The Parallel Market ("NOMU") started off on a positive note as all seven listed companies posted a strong performance during the first few days of trading. The fund manager believes that it is too early to invest in these small/micro cap names as the liquidity and investor appetite for such issuances need to be watched. Nevertheless, if a company has strong fundamentals and is attractively priced, the fund manager would be open to invest in such companies.

The banking sector is underperforming YTD and is currently trading at below its historical average at 10.0x EPS 2017e with a yield of 4.5% for 2018. The settlements of government receivables has proved to be positive for certain sectors but this has resulted in early repayment of loans and lower demand for working capital financing – which has been reflected in the lending growth in Jan 2017 at 1.8% YoY – the lowest in almost seven years. There is also the potential for an uptick in provisioning in 2017 for banks at which we did not see a spike occur already in Q4 2016. There is a positive note on the improved outlook for US rate hikes and hence a boost for margins in the sector.

The government has suspended domestic bond issuances for the fifth month in a row, as there is enough liquidity in the system. The 3 month Saibor rate has also come down by 21bps during February. We expect the bond issuances to resume in March and the government to announce an international sukuk offering soon.

There are further headwinds expected in 2017 across sectors as the government may raise fuel and utility prices in the summer and that will coincide with the implementation of the new expat levy. It is currently unclear how much of the new fees will be passed onto employees and how much will be absorbed as costs, potentially to be partly passed onto consumers. Consumption pressures are also expected to sustain in 2017 and therefore the focus will likely be on streamlining operations, cutting costs and rationalizing spending plans. There are however companies that are better positioned to withstand cost pressures against new fees and that have expansionary plans underway that will underpin top line growth and these are the ones that should outperform.

The Investment manager believes that the Saudi market will remain rangebound with a downward bias in the short term and expects to book profits in select names and increase exposure to large cap names. Progress towards MSCI and FTSE EM Index inclusions would be watched carefully.



## 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%	-1.6%	-0.5%
YTD	-3.5%	-1.7%	-1.8%
2016	-0.3%	10.5%	-10.8%
2015	-13.3%	-11.6%	-1.7%
Inception to Date**	-16.9%	-16.8%	-0.1%

\* MTD figures reflect performance between January 31, 2017 and February 28, 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	19
Weighted Market Cap	SAR 79.7 billion
Dividend Yield*	4.1%
P/E Ratio 17	17.7

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

## Fund Metrics

	Hasaad Fund	S&P TR
Volatility	15.7%	22.1%
Beta *	0.67	-

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

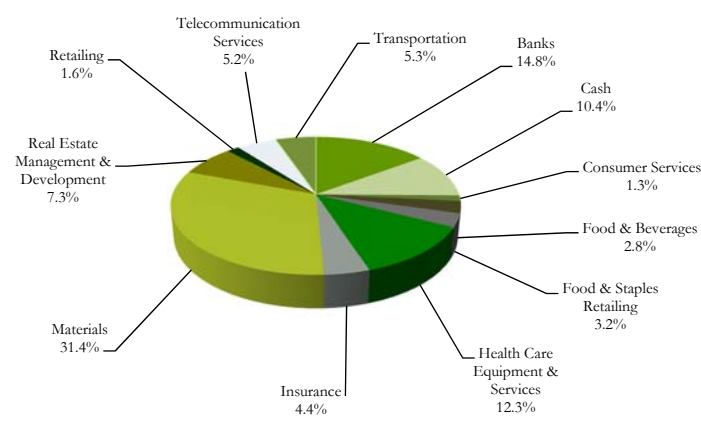
## Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	14.8%
Saudi Basic Industries Corp	Materials	14.8%
Advanced Petrochemical Co	Materials	6.8%

## Fund Information

NAV per share	SAR 8.3069
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