

## Fund Strategy & Outlook

The market had a weak performance in February with the S&P Saudi Shariah TR Index decreasing by 2.3% and the Fund decreasing by 1.9%. Turnover decreased 6.4% MoM with daily traded value averaging SAR 3.39bn.

TASI sectors had a mixed performance with Food & Staples, Retailing, Media and Commercial Services being up by 15.5%, 9.5% and 6.8% respectively. Real Estate, Diversified Financials and Insurance were among the worst performing sectors losing 8.1%, 7.5% and 7.0%, respectively.

Brent was 4.74% lower in February, ending the month at USD 65.78/barrel, and on average was 4.5% lower MoM. Concerns over increasing US shale were the main reasons for the decline in Oil prices.

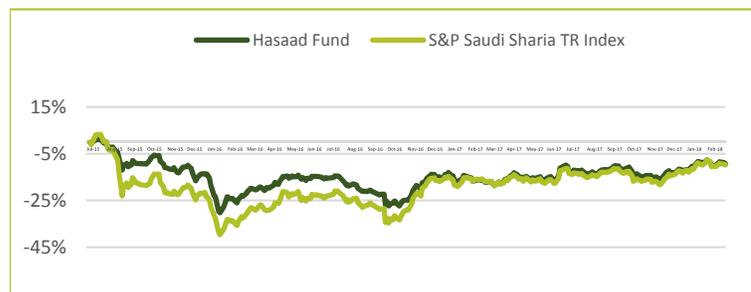
The General Entertainment Authority chief Ahmad bin Aqeel Al Khatib said that USD64bn would be invested in the kingdom's entertainment sector over the coming decade as part of a large-scale programme of social and economic reforms. The construction of the country's first Opera is underway and plans for opening cinemas in the next few months are also ongoing. A couple of listed companies have announced plans to build and operate cinemas. The General Commission for Audiovisual Media anticipates more than 350 cinemas with over 2,500 screens will open by 2030.

SAMA raised its benchmark repo (lending) and reverse repo (deposit) rates on the 15th of March 2018. Both benchmark rates were increased by 25 basis points (bps), bringing the repo rate to 2.25% and the reverse repo rate to 1.75%. The rate hikes ahead of the anticipated Fed rate hike this month points to SAMA's plans to keep the rates in tandem with the US rates, and is expected to keep the credit growth low despite ample liquidity in the system. The 3M Sibor rate had increased by 13bp to 1.92% in the last three months and is expected to rise up to the repo rate levels. As the spread between the reverse repo and repo rates is down to 50bp (in line with the historical spread at around 25-50bp), Fed rate hikes are likely to be accompanied by similar moves in the repo rate in addition to the reverse repo rate. Banks with healthy demand deposits are expected to benefit the most from rising rates.

Outstanding loans declined 0.6% YoY in January, but improved 0.2% MoM. Deposits grew 1.2% YoY in January and flat from December 2017 levels. The composition of deposits improved with the share of time deposits falling from 27.7% in December to 26.4% in January, the lowest level since May 2016. The Investment book of banks grew 36% YoY (+3% MoM) in January, as the government has been issuing bonds and sukuk to bridge the budget deficit. ATM/POS transactions were surprisingly robust at +2% YoY in January after the +8% surge in December.

Consumer Price Inflation has increased sharply from -1.1% YoY in Dec 17 to 3.9% MoM in January, with 10 of the CPI's 12 components registering average price increases of 5.4% MoM; transport was the highest at 12.8%, following the 80-120% increase in gasoline prices, followed by food at 5.6%. Electricity prices jumped 28% MoM, still a low increase in relative terms, given that the tariff more than tripled for the lowest bracket, which represents around 60% of total household subscribers. Clothing and education were the only two components that saw price declines in January. On an annual basis, inflation accelerated to a five-year high of 3.0% in January from -1.1%; food inflation jumped to 6.8% YoY and non-food was up 2.4% YoY in January.

With the bulk of 4Q17 earnings announcements behind us, we expect investor focus to shift toward the FTSE country review announcement on 28 March 2018 after US market close. A positive announcement from FTSE could provide a positive signal for the MSCI EM inclusion announcement expected in June 2018. We believe that there is a high likelihood of Saudi Arabia's inclusion.



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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*      | -1.9%       | -2.3%               | 0.4%                    |
| YTD                 | 2.9%        | 2.6%                | 0.3%                    |
| 2017                | 2.5%        | 3.8%                | -1.3%                   |
| 2016                | -0.3%       | 10.5%               | -10.8%                  |
| 2015                | -13.7%      | -23.3%              | 9.6%                    |
| Inception to Date** | -9.2%       | -9.7%               | 0.5%                    |

\* MTD figures reflect performance between January 31, 2018 and February 28, 2018

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

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

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

## Fund Characteristics

|                     |                  |
|---------------------|------------------|
| No. of Holdings     | 27               |
| Weighted Market Cap | SAR 77.6 billion |
| Dividend Yield*     | 3.9%             |
| P/E Ratio 18        | 21.5             |

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

## Fund Metrics

|            | Hasaad Fund | S&P TR |
|------------|-------------|--------|
| Volatility | 13.9%       | 18.7%  |
| Beta *     | 0.7         | -      |

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

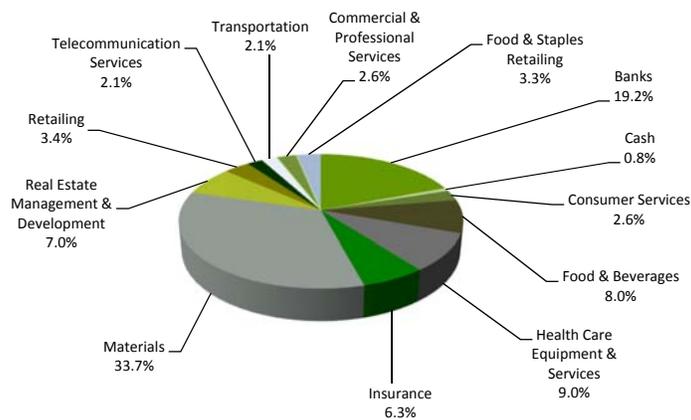
## Top Holdings

| Holding                      | Sector                           | % Holding |
|------------------------------|----------------------------------|-----------|
| Al Rajhi Bank                | Banks                            | 14.6%     |
| Saudi Basic Industries Corp  | Materials                        | 14.2%     |
| Mouwasat Medical Services Co | Health Care Equipment & Services | 6.3%      |

## Fund Information

|                         |              |
|-------------------------|--------------|
| NAV per share           | SAR 9.0757   |
| 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 | EFHFSE AB    |