

Fund Strategy & Outlook

The Saudi market had a flat performance in January with the S&P Saudi Sharia TR Index losing 0.1%. The Fund lost 1.5% during the month. Turnover decreased 18% MoM with daily traded value averaging SAR 4.53 billion.

All TASI sectors were down in January, with the exception of the Insurance, Retailing and Food & Staples sectors which were up by 7%, 2.1% and 1%, respectively. Transportation, Commercial & Professional Services and the Energy sectors were among the worst performing sectors losing 11.3%, 11.2% and 8.4%, respectively. Banks underperformed losing 1.21%, while materials gained 0.02%. The fund's Cash decreased to 9.3% at month-end.

Brent lost 3.2% in January to end the month at USD 55.58/barrel, but on average was USD 56.02 during the month (flat MoM) as oil producing countries signaled compliance with their promised quotas agreed in November and December 2016.

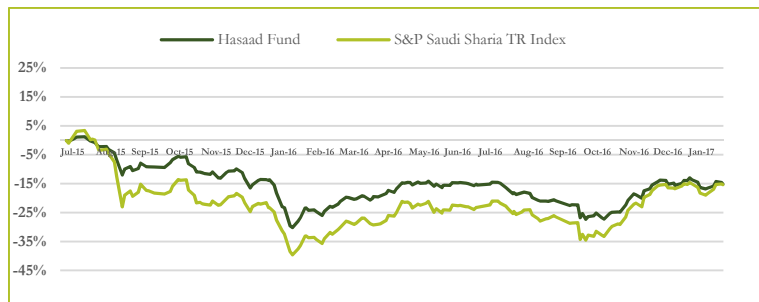
In 2016, TASI net income declined by 5.3% YoY to SAR 94.0bn, following a -12.0% YoY decline in 2015. This is mainly due to weak earnings from the Banking (-5.4% YoY), Food and Beverage (-50.3% YoY) and Cement (-3.3% YoY) sectors. In 4Q16, earnings declined 3.6% YoY to SR16.6bn - the ninth consecutive quarterly earnings decline.

Economic activity remains muted with cement sales 15.8% YoY in Jan-17 and clinker inventories at an all time high of 28.5mn tons. Bank deposits increased 2.2% QoQ in Q4, with demand deposits increasing by 3.4% QoQ. Sector liquidity has increased in Q4 as the loan-to-deposit ratio of banks has reduced from 90.3% in Sept-16 to 86.6% at the end of 2016. Sector profits were 23.6% lower YoY in Q4 due to a spike in provisioning from most banks in Q4-16. To support businesses, the Ministry of Commerce plans to provide SAR 200bn of long term loans to the private sector for the next 4 years.

Seven companies are to be listed in the Parallel Market ("NOMU") and all have been fully subscribed to and would begin trading in the last week of February. This is expected to present an opportunity to long term investors, but the fund manager would like to assess the liquidity and investor appetite before investing in these small / micro cap names.

The number of households registered in the National Household Allowance program reached 2.38mn families. The maximum ceiling income for cash handouts is expected to be finalized before May 2017. We expect the government to start reducing subsidies for households in July 2017 and start the cash handouts to eligible families during the same period.

With oil prices above USD 50 per barrel and a strong market rebound in Q4-16, we believe the Saudi market will remain rangebound in the short term. All eyes will be on the announcements leading to a favorable outcome for MSCI EM and FTSE EM Index inclusions. The Investment Manager is cautious on the market in the short term and expects to book profits in select names and increase exposure to large cap names.



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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 ¹	Difference ²
Month to Date*	-1.5%	-0.1%	-1.4%
YTD	-1.5%	-0.1%	-1.4%
2016	-0.3%	10.5%	-10.8%
2015	-13.3%	-11.6%	-1.7%
Inception to Date**	-15.2%	-15.4%	0.2%

* MTD figures reflect performance between December 31, 2016 and January 31, 2017
** Fund's inception date was July 1, 2015
¹ S&P Saudi Sharia TR Index
² For comparative purposes only; the fund is managed on an absolute return basis

Fund Characteristics

No. of Holdings	20
Weighted Market Cap	SAR 72.0 billion
Dividend Yield*	4.3%
P/E Ratio 17	23.0

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

Fund Metrics

	Hasaad Fund	S&P TR
Volatility	16.0%	22.6%
Beta *	0.67	-

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

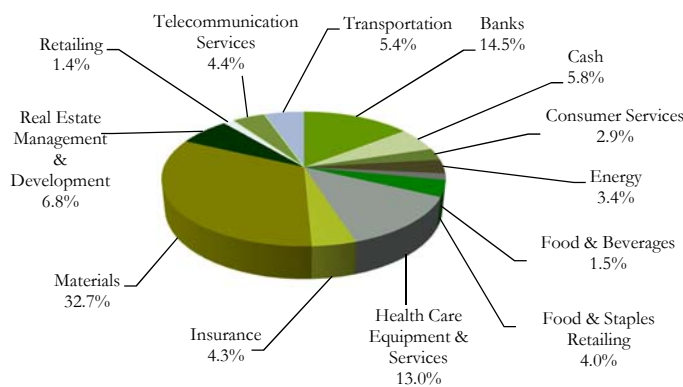
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	14.5%
Saudi Basic Industries Corp	Materials	13.9%
Advanced Petrochemical Co	Materials	8.9%

Fund Information

NAV per share	SAR 8.4826
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