

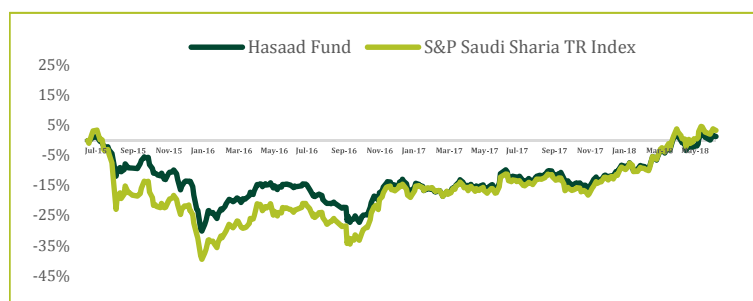
## Fund Strategy & Outlook

June'18 ended with S&P Saudi Sharia Index exhibiting positive performance; +0.4%, whereas, the Fund performed better than the benchmark; 1%. During the month, Saudi Arabia's inclusion in the MSCI Emerging Market was confirmed and oil prices averaged \$78 per barrel.

We expected Saudi Arabia to be upgraded to Emerging Market status since last year and have positioned the fund accordingly. Our stock selection focused on fundamentally solid large cap names which we believe will attract flows from passive & active investors. MSCI has shortlisted 32 names for inclusion in the index. Overall the Fund is positioned to gain from foreign inflows to be triggered by Kingdom's inclusion in MSCI EM Index in mid 2019. Based on expected 2.3% weight of Saudi in MSCI and market cap of companies to be included in MSCI EM Index, Tadawul's exposure to MSCI is 76%, whereas, Fund has 70% exposure to companies to be included in MSCI index. Fund is exposed to quality names on MSCI list; certain companies from the MSCI list are not a holding of the Fund due to unsound fundamentals. It is interesting to note that current foreign ownership levels in Saudi Arabia excluding strategic stakes is close to 2% (1.2% at beginning of year). This compares poorly to other recent entrants to MSCI EM index such as Dubai, which has a foreign ownership of over 20%. In our opinion, as Saudi Arabia gains EM status and becomes a main stream EM market, it will be hard to ignore by global asset allocators and hence indicates potential room for market re-rating on the back of increasing foreign ownership.

Outlook for the economy is expected to remain stable over the medium due to stable oil prices and tax revenues coming from VAT, subsidy removal and other levies on businesses and Expats. Nonetheless, we expect short term headwinds due to expat exodus and lean spending by corporates and individuals triggered by rising inflation from taxes and higher cost of labor from Saudization. Having said that, PoS data for the month of May was very encouraging and credit growth in the economy has shows early signs of growth. Rising interest rates in US and consequently Saudi will raise cost of financing for corporates in short term, however, this bodes well for Saudi bank as 3M Saibor averaged 2.5% in June 2018, up 10bps MoM from 2.4% in May.

The investment manager's focus remains on large caps and selected mid cap names. Higher Oil prices also suggest that the pace of austerity cuts would slow down and the timelines stretched. The above factors make the investment manager optimistic on the market performance in the coming period.



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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*	1.0%	0.4%	0.6%
YTD	14.8%	17.3%	-2.5%
2017	2.5%	3.8%	-1.3%
2016	-0.3%	10.5%	-10.8%
2015	-13.7%	-23.3%	9.6%
Inception to Date**	1.2%	3.2%	-2.0%

\* MTD figures reflect performance between May 31, 2018 and June 30, 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	21
Weighted Market Cap	SAR 110.7 billion
Dividend Yield*	3.9%
P/E Ratio 18	19.4

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

## Fund Metrics

	Hasaad Fund	S&P TR
Volatility	13.7%	18.1%
Beta *	0.7	-

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

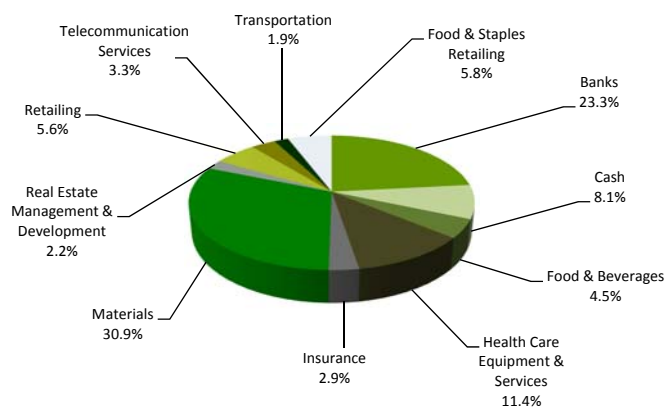
## Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	18.9%
Saudi Basic Industries Corp	Materials	15.4%
Mouwasat Medical Services Co	Health Care Equipment & Services	6.0%

## Fund Information

NAV per share	SAR 10.1235
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	XC000A14XV2
Reuters Code	LP 68330160
Bloomberg Ticker	EFGHSE AB