

Fund Strategy & Outlook

The **S&P Sharia TR** fell by -2.9%, weighing down YTD performance to 9.9%. The weakness was driven by negative performance in the Petrochemical and Banking sectors.

Brent was 22.2% down in November, ending the month at USD 58.71/barrel. The price has slumped due to the USA, Saudi Arabia and Russia increasing production. OPEC agreed to remove 1.2mn bpd from the oil market in the first quarter of 2019, more than 1% of global production, to revive prices. Saudi Arabia's output reached 11.2mn bpd in November, up from 10.65 mn bpd in October. The Kingdom pledged to reduce daily output by 500,000 in December and to be followed by another drop to reach 10.2mn bpd in January 2019. In our view, the market is currently experiencing a high level of volatility given the US-China trade war, global economy slowdown fears and current oil oversupply. However we believe OPEC and non-OPEC countries will reach an agreement to stabilize prices in the near future.

We are seeing initial signs of stability in Yemen as Saudi Arabia agreed to re-open the Hodeidah Port as well as deciding to end USA midair refueling for its operations in Yemen. In our view, ending operations in Yemen would be positive for KSA's military budget overspend. Rebuilding damaged infrastructure in Yemen would revive KSA's cement sales. Najran and Southern cement companies would be direct beneficiaries of the war ending.

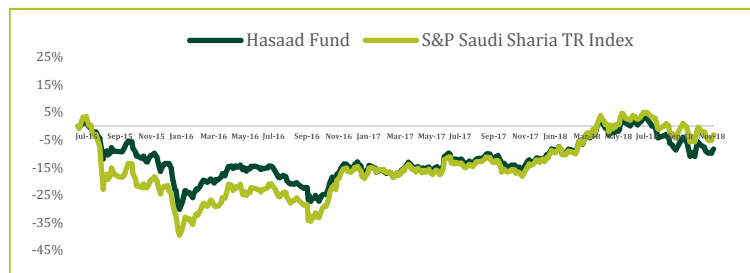
There has been a longstanding disagreement between Saudi banks and the General Authority of Zakat & Tax on tax deductions. We expect some banks to be asked to pay liabilities for past years, affecting existing capital ratio and reducing future ROE.

MSCI has moved Bank Al Jazira from its small cap index to its leading cap index, positioning the stock to benefit from the Saudi index inclusion into the EM universe in mid-2019. On the other hand, Arab National Bank, Al Tayyar and Southern Cement Company are removed from the leading cap index.

Data released by SAMA in October highlighted that credit to the private sector grew by 1.7% YoY, while deposits rose by 1.2% YoY. Government reserves reached SAR 632bn (4.2% MoM) while, foreign reserves rose by 2.3% YoY. Combined ATM/POS transactions grew by +5.0% YoY, supported by a spending surge in restaurants and hotels as well as the food and beverage segments. Cost of living increased by 2.4% YoY.

The Fund exhibited negative performance of -2.7% in November 2018, outperforming the benchmark by 0.2%, mainly due to overweights in Materials and Financials.

The Fund is invested in high-quality businesses across various sectors which we believe will attract inflows after the 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 ¹	Difference ²
Month to Date*	-2.7%	-2.9%	0.2%
YTD	3.9%	9.9%	-6.0%
2017	2.5%	3.8%	-1.3%
2016	-0.3%	10.5%	-10.8%
2015	-13.7%	-23.3%	9.6%
Inception to Date**	-8.4%	-3.3%	-5.1%

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

** 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	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%	18.0%
Beta *	0.7	-

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

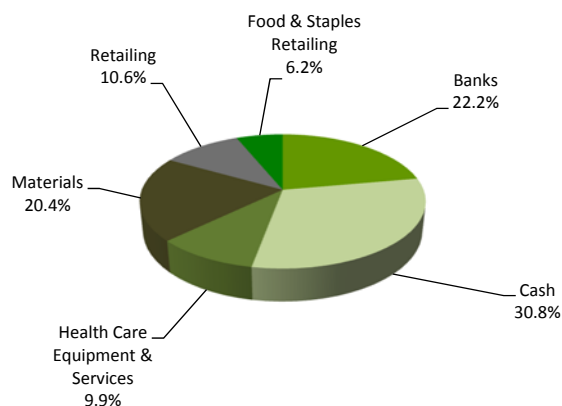
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	10.1%
Saudi Basic Industries Corp	Materials	8.5%
Advanced Petrochemical Co	Materials	7.7%

Fund Information

NAV per share	SAR 9.1619
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