

Fund Manager's Strategy & Outlook

The Saudi market had a strong performance in October with the S&P Saudi Sharia TR Index gaining 5.3% for a YTD loss of 7.3%. The Fund gained 0.8% during the month and is now down 12.9% YTD. Turnover gained MoM with daily traded value averaging SAR 3.04 billion as investors returned from the long summer vacation.

Saudi Arabia successfully issued its maiden international bond. The size of the offering was increased from USD 15bn to USD 17.5bn and the offer received interest to the tune of USD 67bn. This has partially alleviated the domestic liquidity situation and together with the 90-day repo issuance by SAMA, has seen the 3-month Saibor come down from its highs in mid-October. The Saudi 10-year CDS has also fallen to below 1.60% vs. 2.07% towards the end of September.

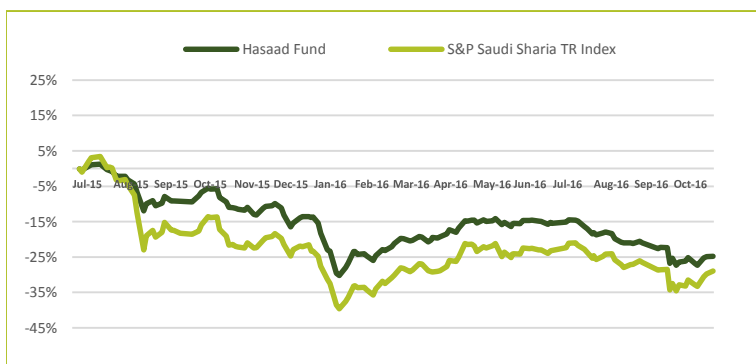
The government announced a cut in certain allowances for government employees which is expected to result in a salaries' cut averaging approximately 12%. The government also announced an increase in municipal fees such as commercial licenses, trash collection, ATM licenses, new construction permits and renewing of certain licenses and permits, etc. This will pressurize the retail sector earnings the most.

Earnings for Q3 2016 were weak, with total aggregate profit declining 3% YoY at SAR 26.5bn, mainly led by 5% YoY decline in Banks earnings (mainly on lower fee income and deteriorating asset quality). Consumer sector earnings were 21% lower YoY, while cement sector earnings were down by 30% YoY.

All TASI sectors were up in October, except for the Cement sector which was down 9.2%. Industrials, Banks, and Real Estate sectors were among the top performing sectors gaining 14.1%, 13.3% and 11%, respectively. Petrochemicals underperformed gaining 4.2%. The Investment Manager increased exposure to select Banks, Real Estate, and Consumer non-Discretionary names, while reducing exposure to Consumer Discretionary names. Cash increased to 42% at month end.

Brent lost 4.2% in October to end the month at USD 48.61/barrel. There were signs of disagreement within OPEC, and Russia also indicated that it has a spare capacity of 4mn bpd which put pressure on Oil prices.

With lower government spending due to lower oil prices, earnings and revenues for companies under pressure, the implementation of the NTP 2020 and the upcoming budget, the Investment Manager maintains his cautious view on the market in the short term.



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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	S&P TR ¹	Difference ²
Month to Date*	0.8%	5.3%	-4.5%
YTD	-12.9%	-7.3%	-5.6%
2015	-13.3%	-11.6%	-1.7%
Inception to Date**	-24.8%	-29.0%	4.2%

* MTD figures reflect performance between September 30, 2016 and October 31, 2016

**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	18
Weighted Market Cap	SAR 65.6 billion
Dividend Yield*	5.2%
P/E Ratio 16	16.5

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

Fund Metrics

	Hasaad	S&P TR
Volatility	16.3%	23.6%
Beta *	0.7	-

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

Top Three Equity Holdings

Holding	Sector	% of NAV
Saudi Basic Industries	Petrochemical Industries	8.6%
Al Rajhi bank	Banks & Financial Services	7.6%
Advanced Petrochemical Co	Petrochemical Industries	5.4%

Fund Data

NAV per Share	7.5222
Management Fee	1.25%
Minimum Subscription	SAR 10,000
Subscription / Redemption	Twice Weekly
Inception Date	July 1 st , 2015

Fund Identifiers

ISIN Code	XC000A14XYV2
Bloomberg Ticker	EFGHFSE AB Equity
Reuters Code	LP 68330160

Allocation by Economic Sector

