

Fund Strategy & Outlook

The Saudi market had a flattish performance in April with the TASI gaining 0.2% and the Fund gaining 1.4%. Turnover decreased 6% MoM with daily traded value averaging SAR 3.1bn.

Sector-wise performance in April was mixed, with REITs, Retail and Energy sectors gaining 10.7%, 4% and 3.4%, respectively. Pharma, Consumer Durables & Apparels and Media were among the worst performing sectors losing 4.4%, 3.8% and 3.6%, respectively. Banks underperformed losing 0.9% while materials gained 0.1%.

Brent lost 2% in April to end the month at USD 51.73/barrel, but on average was 2.1% higher MoM. Concerns about increased supply in the US and extending the previously announced cuts by OPEC and non-OPEC producers were the main reason behind the slide in the latter half of the month. We believe that the cuts would be extended and Oil prices will be volatile in the short-to-medium term and will range between USD 45 to USD 55.

The kingdom's fiscal balance improved in Q1 as the government raised USD 9bn from its maiden USD sukuk and has until now scrapped almost 6k projects that are deemed to be non-beneficial to diversification within Vision 2030. The budget deficit during Q1 '17 was around SAR 26bn as revenues increased and cost savings of SAR 17bn were realized.

The Saudi Stock Exchange adopted the new T+2 settlement cycle with effect from Sunday April 23 and it seems to be a smooth transition from the previous T+0 settlement cycle. This is a positive towards a potential EM upgrade.

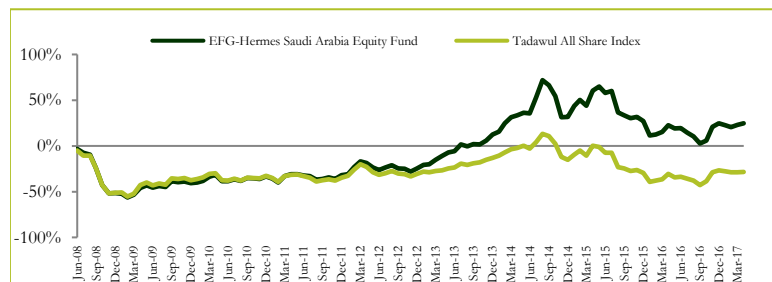
King Salman restored bonuses and allowances for public sector employees. This is expected to boost the disposable income of nearly 3mn Saudis and is expected to improve sentiment and benefit the retail and tourism sectors in the short term before higher gasoline and utility bills start affecting the disposable income of families. Saudi soldiers fighting in Yemen will also receive a two-month bonus.

The number of registered citizens in the Citizens Allowance Program reached 11.8mn, but the number of Saudi citizens who are entitled to state support is a little less than 10mn and the government is working on compensating them for cuts in energy and water subsidies through a cash payout program. To address the housing shortage, the government plans to offer hundreds of thousands of free homes and a million more with some form of low-cost financing.

Saudi banks' earnings rose 44% QoQ (-1% YoY) on strong non-interest income and lower provisioning. Non-interest income was the key surprise, up 13% QoQ. Loans were stable QoQ compared to a decline of 3% QoQ in 4Q16 which suggests reduced repayments pressure of working capital lines. We expect corporate loan growth to be weak in 2017, but the retail segment (public sector) could see some recovery, in light of the government's recent measure to restore the civil service and military allowances.

Cement sales declined by 19.7% YoY in March 2017, taking the YTD decline in sales quantities to 20.0%. Clinker inventory increased to a new all-time high of 29mn tons, with inventory-to-capacity of the sector reaching 45.2%. Exports declined by 54.6% YoY to 34k tons, with expectations of further weakness going forward due to the export tariff placed.

The Investment Manager believes that the Saudi market will remain correlated with oil prices. Additionally, with the implementation of T+2 settlement, the IM believes that there is a strong case for an EM upgrade and will look to increase exposure to large-cap names.



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Objective

The principal objective of the Fund is medium and long term capital appreciation through investing in Saudi Arabian equity and equity related securities.

Fund Performance

	Saudi Fund	TASI ¹	Difference
Month to Date*	1.4%	0.2%	1.2%
YTD	-0.1%	-2.7%	2.6%
2016	-1.9%	4.3%	-6.2%
2015	-3.4%	-17.1%	13.7%
2014	17.2%	-2.4%	19.6%
2013	48.8%	25.5%	23.3%
2012	11.2%	6.0%	5.2%
2011	1.8%	-3.1%	4.9%
Inception to Date**	24.7%	-28.5%	53.2%

* MTD figures reflect performance between March 31, 2017 and April 30, 2017.

** Fund's inception date was June 17, 2008

¹ TASI is a price return index

Fund Characteristics

No. of Holdings	27
Weighted Market Cap	SAR 61.2 billion
Dividend Yield*	3.4%
P/E Ratio 17	15.6

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

Fund Metrics

	Saudi Fund	TASI
Volatility	22.7%	22.8%
Beta*	0.97	-

*Calculated vs. the Tadawul All Share Index (TASI) since the Fund's inception

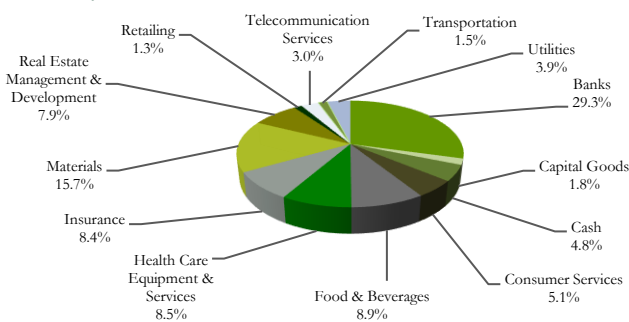
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	11.7%
Saudi Basic Industries Corp	Materials	7.5%
National Commercial Bank	Banks	6.5%

Fund Information

NAV per share	SAR 12.4663
Launch Date	June 17, 2008
Management fee	2%
Minimum Subscription	SAR 50,000
Subscription/Redemption	Twice Weekly

Allocation by Economic Sector



Fund Identifiers

ISIN	XC000A1W4DX3
Reuters Code	LP65122906
Bloomberg Ticker	EFGSAUD AB