

## Fund Strategy & Outlook

The market had a strong performance in August with the TASI gaining 2.3% and the Fund gaining 2.6% - taking the YTD outperformance of the fund to 6.7%. Turnover increased 4% MoM with daily traded value averaging SAR 2.86bn.

Sector-wise performance in August was mixed with Capital Goods, Consumer Services and Banking sectors gaining 8.3%, 5.2% and 4.8%, respectively. Media, Healthcare and Utilities were among the worst performing sectors losing 8.7%, 3.3% and 1.2%, respectively. Materials gained 1.2% during the month.

Brent was flat in August, ending the month at USD 52.86/barrel, and on average was 4.4% higher MoM. The EIA expects US shale drillers to post strong gains in August and September with output growing by 117kdb to 6.15 million barrels in September. The latest reports mark the sixth straight month of forecasted production growth above 100kdb. The supply side remains buoyant while demand expectations have been increased as well, indicating prices to be range-bound at current levels in the foreseeable future.

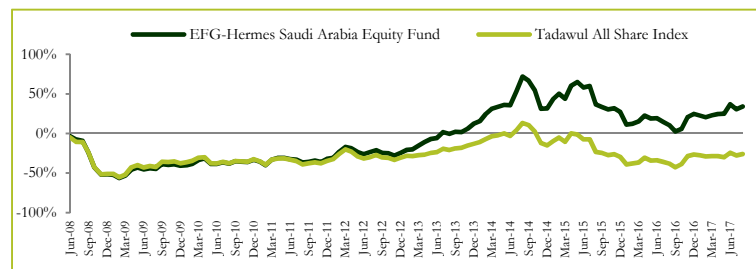
Excess bank liquidity dropped 12% MoM as banks' holdings of government bonds rose 8% MoM to SAR 215bn. Government bonds now represent 9.4% of assets, up from 8.7% in June 2017. Deposits declined by 0.3% MoM, while loans were flat MoM. Time deposits were stable at 29.4% of total deposits at the end of July 2017. SAMA's net foreign assets fell by USD6.3bn from June to USD487bn in July, their lowest level since early 2011. The reserves shrank 12.8% from a year earlier. The spike in public financing needs was partly driven by a one-off government pay-out for the backdating of the reversal of public sector wage reform. While the pay-out adds to the fiscal consolidation challenge, it has provided a short-term boost to consumption.

Combined ATM/ POS transactions rebounded in July as expected (+4% YoY), confirming that June's slump reflected the earlier timing of Ramadan; however, transactions still fell by 3% YoY on a 3M moving average basis - consumer spending trends remain weak.

The budget deficit in 1H17, at SAR 47bn, was better than expected mainly due to a strong improvement in oil revenue at 63% YoY. We may see some acceleration in expenditures on account of public sector salary reinstatements and expenditures to support economic growth; Government's total budget deficit target of SAR198 billion (or 7.7% of GDP) looks achievable.

Cement sales volumes fell 15% YoY in August 2017, but were 6.6% higher MoM. Construction activity is still slow and the sector keeps suffering on account of cuts in government spending on infrastructure

The focus for the near term would be the announcement from FTSE. The prospect of Saudi Arabia's inclusion to FTSE EM looks promising and is set to be announced on the 29<sup>th</sup> of September. The FTSE EM index inclusion could result in inflows of c. USD 3.8-6.5bn, depending on the Aramco IPO, with the weight ranging from c. 2.6%-4.5%. If Saudi does make the cut, implementation would likely begin a year later over two phases, during the September 2018 and March 2019 reviews.



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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 <sup>1</sup>	Difference
Month to Date*	2.6%	2.3%	0.3%
YTD	7.4%	0.7%	6.7%
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**	34.0%	-26.0%	60.0%

\* MTD figures reflect performance between July 31, 2017 and August 31, 2017

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

<sup>1</sup> TASI is a price return index

## Fund Characteristics

No. of Holdings	27
Weighted Market Cap	SAR 69.8 billion
Dividend Yield*	3.8%
P/E Ratio 17	16.0

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

## Fund Metrics

	Saudi Fund	TASI
Volatility	22.6%	22.6%
Beta*	0.97	-

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

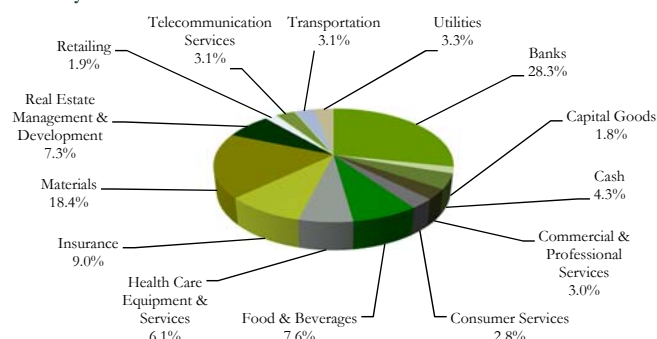
## Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	12.3%
Saudi Basic Industries Corp	Materials	8.6%
National Commercial Bank	Banks	7.0%

## Fund Information

NAV per share	SAR 13.4033
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