

Fund Manager's Strategy & Outlook

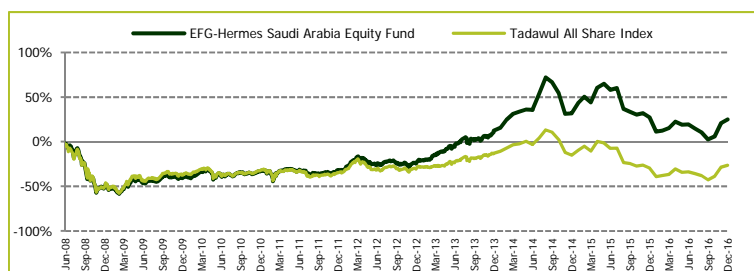
The Saudi market had a strong performance in December with the TASI Index gaining 3% for a YTD gain of 4.3%. The Fund gained 3.4% during the month and is now down 1.9% YTD. Turnover increased 1.2% MoM with daily traded value averaging SAR 5.48 billion.

All TASI sectors were up in December, with the exception of the telecom sector which was down by 0.66%. Energy, building & construction and the hotel sectors were among the top performing sectors gaining 16.3%, 8.9% and 7.6%, respectively. Banks and petrochemicals underperformed gaining 1.65% and 2.76%, respectively. Cash decreased to 5.6% at month end. The fund manager increased exposure to select banks, consumer non-discretionary and real estate names, while reducing exposure to the telecom and food & agriculture sectors during the month.

Brent gained 12.6% in December to end the month at the year-high of USD 56.82/barrel on the back of the OPEC and non-OPEC production cuts announcement, and expectations that the oil producing countries will comply with their promised quotas.

Saudi Arabia announced its 2017 budget which is broadly positive and expansionary. The 2017 budgeted estimated expenditure of SAR 890 billion (+6% YoY) and revenue of SAR 692 billion (+34.7% YoY) is mainly driven by a combination of expected higher oil revenue and additional borrowing. This translates to an expected deficit of SAR 198 billion in 2017, down from deficits of SAR 297 billion and SAR 367 billion in 2016 and 2015, respectively. The government also announced that it expects the budget to balance by 2020 which we believe would largely depend on the price of oil. The feedstock subsidy reforms have been delayed to 2019-20 which is positive for petrochemicals and cement producers in the medium term. An expat levy was announced which increases every year until 2020 and will hurt companies with low Saudization levels, such as the healthcare, construction, retail and food industries. Electricity prices for households will be 100% linked to export reference prices by mid-2017 and for industrial users by early to mid-2018. Low income households will get a monthly cash payment. The linking of gasoline and diesel prices to export reference prices would be implemented from 2017 to 2020.

With stronger oil prices and renewed investor confidence, we believe the Saudi market will remain positive in the short term. Q4 2016 results are expected to be weak, with cement expected to post the weakest numbers. All eyes will be on price of Oil, the announcements leading to a favorable outcome for a MSCI EM inclusion in 2018 and the success of the International Sukuk that the government plans to issue in February. The Investment Manager is cautiously optimistic on the market in the short term and expects to increase equity exposure taking advantage of the market volatility that is expected in the short term.



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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**	3.4%	3.0%	0.4%
YTD	-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*	24.8%	-26.5%	51.3%

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

** MTD figures reflect performance between November 30, 2016 and December 31, 2016.

¹TASI is a price return index

Fund Characteristics

No. of Holdings	24
Weighted Market Cap	SAR 60.6 billion
Dividend Yield*	4.1%
P/E Ratio 16	16.5

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

Fund Metrics

	Saudi Fund	TASI
Volatility	23.1%	23.2%
Beta *	0.97	-

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

Top Three Equity Holdings

Holding	Sector	% of NAV
Saudi Basic Industries Corp	Petrochemical Industries	9.1%
Samba Financial Group	Banks & Financial Services	7.0%
Al Rajhi Bank	Banks & Financial Services	6.8%

Fund Data

NAV per Share	SAR 12.4831
Management Fee	2%
Minimum Subscription	SAR 50,000
Subscription / Redemption	Twice Weekly
Inception Date	June 17, 2008

Fund Identifiers

ISIN Code	XC000A1W4DX3
Bloomberg Ticker	EFGSAUD AB
Reuters Code	LP65122906

Allocation by Economic Sector

