

## Fund Strategy & Outlook

The Saudi market had a weak performance in January with the TASI Index losing 1.5%. The Fund lost 1.9% during the month. Turnover decreased 18% MoM with daily traded value averaging SAR 4.53 billion.

All TASI sectors were down in January, with the exception of the Insurance, Retailing and Food & Staples sectors which were up by 7%, 2.1% and 1%, respectively. Transportation, Commercial & Professional Services and the Energy sectors were among the worst performing sectors losing 11.3%, 11.2% and 8.4%, respectively. Banks underperformed losing 1.21%, while materials gained 0.02%. The fund's Cash decreased to 9.3% at month end.

Brent lost 3.2% in January to end the month at USD 55.58/barrel, but averaged USD 56.02 during the month (flat MoM) as oil producing countries signaled compliance with their promised quotas agreed in November and December 2016.

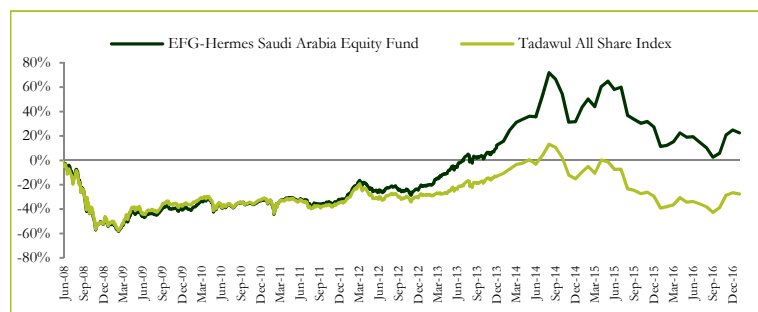
In 2016, TASI net income declined by 5.3% YoY to SAR 94.0bn, following a 12.0% YoY decline in 2015. This is mainly due to weak earnings from the Banking (-5.4% YoY), Food and Beverage (-50.3% YoY) and Cement (-3.3% YoY) sectors. In 4Q16, earnings declined 3.6% YoY to SR16.6bn - the ninth consecutive quarterly earnings decline.

Economic activity remains muted with cement sales 15.8% YoY in Jan-17 and clinker inventories at an all time high of 28.5mn tons. Bank deposits increased 2.2% QoQ in Q4, with demand deposits increasing by 3.4% QoQ. Sector liquidity has increased in Q4 as the loan-to-deposit ratio of banks has reduced from 90.3% in Sept-16 to 86.6% at the end of 2016. Sector profits were 23.6% lower YoY in Q4 due to a spike in provisioning from most banks in Q4-16. To support businesses, the Ministry of Commerce plans to provide SAR 200bn of long term loans to the private sector for the next 4 years.

Seven companies are to be listed in the Parallel Market ("NOMU") and all have been fully subscribed to and would begin trading in the last week of February. This is expected to present an opportunity to long term investors, but the fund manager would like to assess the liquidity and investor appetite before investing in these small / micro cap names.

The number of households registered in the National Household Allowance program reached 2.38mn families. The maximum ceiling income for cash handouts is expected to be finalized before May 2017. We expect the government to start reducing subsidies for households in July 2017 and start the cash handouts to eligible families during the same period.

With oil prices above USD 50 per barrel and a strong market rebound in Q4-16, we believe the Saudi market will remain rangebound in the short term. All eyes will be on the announcements leading to a favorable outcome for MSCI EM and FTSE EM Index inclusions. The Investment Manager is cautious on the market in the short term and expects to book profits in select names and 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 <sup>1</sup>	Difference
Month to Date*	-1.9%	-1.5%	-0.4%
YTD	-1.9%	-1.5%	-0.4%
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**	22.5%	-27.6%	50.1%

\* MTD figures reflect performance between December 31, 2016 and January 31, 2017.  
\*\* Fund's inception date was June 17, 2008  
<sup>1</sup> TASI is a price return index

## Fund Characteristics

No. of Holdings	29
Weighted Market Cap	SAR 62.6 billion
Dividend Yield*	4.1%
P/E Ratio 17	19.9

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

## Fund Metrics

	Saudi Fund	TASI
Volatility	23.0%	23.1%
Beta *	0.97	-

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

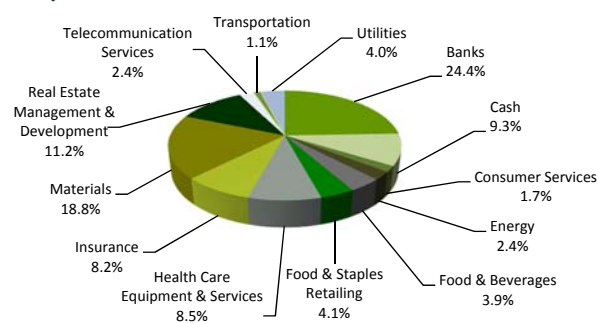
## Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	10.4%
Saudi Basic Industries Corp	Materials	8.6%
Advanced Petrochemical Co	Materials	4.4%

## Fund Information

NAV per share	SAR 12.2456
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