

## Fund Strategy & Outlook

The market had a strong performance in January with the TASI up 5.9% and the Fund was up 5.9%. Turnover decreased 12% MoM with daily traded value averaging SAR 3.62bn.

TASI sectors had a mixed performance with Banks, Healthcare and Media being up by 11.2%, 10.6% and 9.5% respectively. Real Estate, Consumer Durables and Food & Beverage were among the worst performing sectors losing 4.7%, 3.2% and 1.4%, respectively.

Brent was 3.3% higher in January, ending the month at USD 69.05/barrel, and on average was 7.7% higher MoM. Declining inventories and full compliance from OPEC and Non OPEC producers were the reasons for the strength in oil prices.

The Ministry of Labour added more segments in the retail sector to the 100% Saudisation law, to be implemented in 7-12 months. Clothing, auto, furniture, kitchenware must comply within 7 months, while home appliances and eyewear will have 10 months. Medical care, building materials, spare parts and pastries will have 12 months to comply.

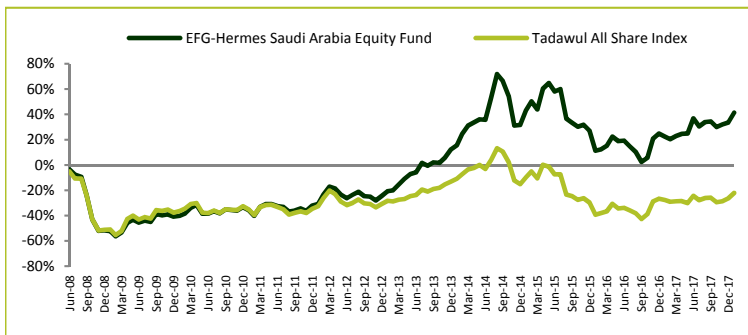
On the back of an expansionary budget more projects were announced in Taif, Moya and Misan Provinces, with an estimated cost of more than SAR 14.6bn. This includes roads, education, water, health projects, the new Taif international airport, Okaz city, a technology oasis, housing complex, an industrial city and university campus. A second 10-year development plan will be announced at an investment forum during Shabaan. The government also awarded the first construction contracts to build five palaces and infrastructure in NEOM City.

Saudi Arabia's non-oil business activity plunged to its lowest since at least Aug 2009 when the Index was first launched, according to the Emirates NBD PMI Index. The overall Index reading in Jan plunged to 53.0 from 57.3 in Dec and an average of 56.1 in FY17. The slowdown was driven mostly by deteriorating domestic demand, with new orders falling to 54.7 in Jan vs. 63.2 in Dec and an average of 60.3 in FY17. Meanwhile, export orders slowed only marginally to 51.2 from 52.0 in Dec.

The Saudi Government announced a SAR 50bn bonus package in which the government restored annual bonuses for civil servants, introduced a SAR 500 / month extra payment to retirees and social benefit recipients, introduced a SAR 1,000 / month extra payment for government employees, increased student allowances by 10% and introduced a SAR 5,000 bonus for soldiers serving in Yemen. This package amounts to approximately 1.9% of GDP and is expected to affect the budget deficit.

Outstanding loans declined 1.4% MoM in December, closing the year at -1.0%. This was driven by a -15% QoQ decline in loans to the construction sector, likely due to government payments in December used to pay back existing facilities. Banks have sizeable excess liquidity (+36% MoM, 6.7% of assets), which could continue to keep domestic rates sensitivity to US rates subdued. Combined ATM/POS transactions surged by 8% in December. Consumers buying ahead of the implementation of the VAT on 1 January 2018 seems to be a likely reason for this sharp MoM increase.

Results for the fourth quarter have so far been mixed. Banks that have reported so far, have mostly exhibited stronger numbers on the back of lower provisions. The petrochemical sector has mixed results. The increase in fuel and electricity prices as well as VAT would likely see the consumer and related sectors underperform. The investment manager is cautiously optimistic on the markets as the FTSE announcement would be made in the coming weeks, the build up to which is expected to bring some volatility in the markets and large caps are likely to outperform.



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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*	5.9%	5.9%	0.0%
YTD	5.9%	5.9%	0.0%
2017	7.0%	0.2%	6.8%
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**	41.4%	-22.1%	63.5%

\* MTD figures reflect performance between December 31, 2017 and January 31, 2018

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

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

## Fund Characteristics

No. of Holdings	30
Weighted Market Cap	SAR 67.7 billion
Dividend Yield*	4.0%
P/E Ratio 18	22.6

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

## Fund Metrics

	Saudi Fund	TASI
Volatility	22.2%	22.2%
Beta*	0.97	-

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

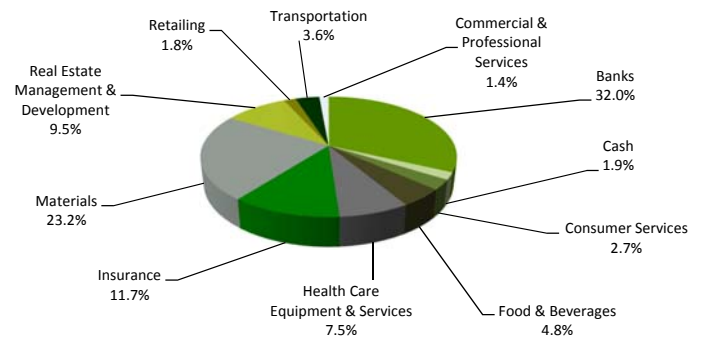
## Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	13.4%
Saudi Basic Industries Corp	Materials	9.0%
National Commercial Bank	Banks	6.6%

## Fund Information

NAV per share	SAR 14.1440
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