

Fund Strategy & Outlook

The **Tadawul All Shares Index** rose by 6.2%. The rally was driven by the Banking and Petrochemical sectors.

Brent was up 15% in January, ending the month at USD 61.89/barrel. Bullish sentiments are supported by tightening supply and strict compliance from OPEC members. Saudi Arabia's output reached 10.2mn bpd in January, down from 10.55mn bpd in December. According to KSA's Energy Minister Khalid Al-Falih; "The impact of the reduction will trickle down into the global markets over the next few weeks while demand will start picking up at the end of the first quarter and into the second quarter". In our opinion, price volatility is a result of the US-China trade war and global economy slowdown fears, in addition to temporary oversupply to avoid a supply shortage following the US sanctions on Iran.

IMF lowered KSA's GDP growth forecast for 2019 to 1.8%, down from 2.4%, and it is pessimistic about oil prices over the next two years. It also raised next year's growth forecast to 2.1%, up 0.2% from a previous projection.

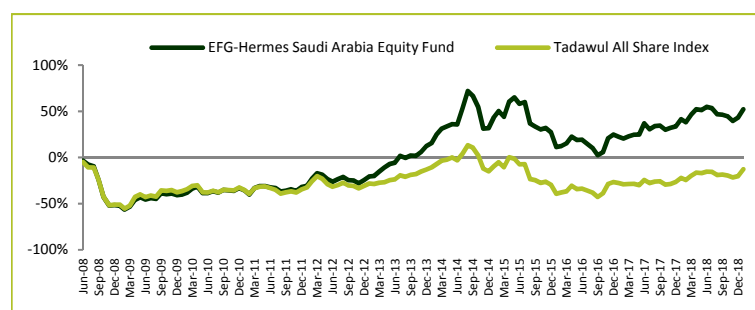
Saudi Arabia's non-oil business activity plunged to its lowest since Aug 2009 when the Index was first launched, according to the Emirates NBD PMI Index. The overall Index reading in January rose to 56.2 from 54.5 in December, driven by a surge in new orders and a subsequent rebound in both output and employment. The main reason behind new order acceleration was domestic demand, as export orders remained broadly flat m/m. Some of the growth in new orders is likely due to price discounting.

Saudi authorities noted that \$107bn has been recovered from the anti-corruption crackdown. The funds are in the form of property, companies, cash and other assets surrendered by senior princes, ministers and top businessmen who were under investigation.

Data released by SAMA in December showed that credits to the private sector grew by 2.9% YoY while deposits rose by 2.6% YoY. Government reserves reached SAR 562.4bn (-10% MoM) while, foreign reserves remained stable YoY. Combined ATM/POS transactions grew by 4.0% YoY, supported by a spending surge in restaurants and transportation as well as the food and beverage segments. Cost of living increased by 2.2% YoY.

The **Saudi Fund** exhibited positive performance of 6.2% in January 2019, this was short of the benchmark by -3.2, mainly due to overweights and asset selections in healthcare and consumer staples sector.

The fund is invested in high-quality businesses across various sectors which we believe will attract inflows post Kingdom's inclusion in MSCI EM index in mid-2019. Commodity chemicals and banks represent the largest investment allocation. Our investments in petrochemicals are well positioned to benefit from stable global supply demand environment and wider product spreads, while our investments in Commercial Banks are best positioned for a higher interest rate environment. Additionally, our banks in the portfolio are well capitalized and sport a liquid balance sheet capable of supporting loan growth should credit demand in the country improve.



EFG-Hermes Asset Management
Tel: 966 11 293 8048/9 Fax: 966 11 293 8032

AMsales@efg-hermes.com

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*	6.2%	9.4%	-3.2%
YTD	6.2%	9.4%	-3.2%
2018	7.2%	8.3%	-1.1%
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**	52.1%	-12.8%	64.9%

* MTD figures reflect performance between December 31, 2018 and January 31, 2019

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

¹TASI is a price return index

Fund Characteristics

No. of Holdings	21
Weighted Market Cap	SAR 98.1 billion
Dividend Yield*	3.6%
P/E Ratio	16.3

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

Fund Metrics

	Saudi Fund	TASI
Volatility	21.4%	21.6%
Beta*	0.96	-

*Calculated vs. the Tadawul All Share Index (TASI) 1 year

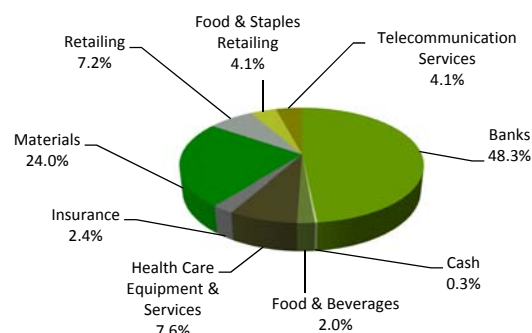
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	16.3%
Saudi Basic Industries Corp	Materials	9.8%
Samba Financial Group	Banks	8.5%

Fund Information

NAV per share	SAR 15.2091
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	EFSAUD AB