

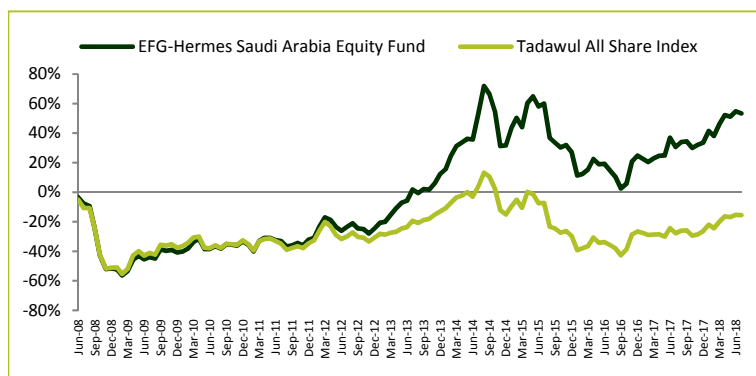
Fund Strategy & Outlook

July'18 ended with TASI exhibiting slightly negative performance; -0.2%, whereas, the Fund underperformed the benchmark; -0.9%. During the month, Brent prices averaged \$75.

We expected Saudi Arabia to be upgraded to Emerging Market status since last year and have positioned the fund accordingly. Our stock selection focused on fundamentally solid large cap names which we believe will attract flows from passive & active investors. MSCI has shortlisted 32 names for inclusion in the index. Overall the Fund is positioned to gain from foreign inflows to be triggered by Kingdom's inclusion in MSCI EM Index in mid 2019. Based on expected 2.3% weight of Saudi in MSCI and market cap of companies to be included in MSCI EM Index, Tadawul's exposure to MSCI is 76%, whereas, Fund has 70% exposure to companies to be included in MSCI index. Fund is exposed to quality names on MSCI list; certain companies from the MSCI list are not a holding of the Fund due to unsound fundamentals. It is interesting to note that current foreign ownership levels in Saudi Arabia excluding strategic stakes is close to 2% (1.2% at beginning of year). This compares poorly to other recent entrants to MSCI EM index such as Dubai, which has a foreign ownership of over 20%. In our opinion, as Saudi Arabia gains EM status and becomes a main stream EM market, it will be hard to ignore by global asset allocators and hence indicates potential room for market re-rating on the back of increasing foreign ownership.

Outlook for the economy is expected to remain stable over the medium due to stable oil prices and tax revenues coming from VAT, subsidy removal and other levies on businesses and Expats. Nonetheless, we expect short term headwinds due to expat exodus and lean spending by corporates and individuals triggered by rising inflation from taxes and higher cost of labor from Saudization. Having said that, PoS data for the month of June was very encouraging; 7% growth in sales, and credit growth in the economy has shown early signs of growth. Rising interest rates in US and consequently Saudi will raise cost of financing for corporates in short term, however, this bodes well for Saudi bank as 3M Saibor averaged 2.6% in July 2018, up 10bps MoM from 2.5% in June.

The investment manager's focus remains on large caps and selected mid cap names. Higher Oil prices also suggest that the pace of austerity cuts would slow down and the timelines stretched. The above factors make the investment manager optimistic on the market performance in the coming period.



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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 [†] | Difference |
|---------------------|------------|-------------------|------------|
| Month to Date* | -0.9% | -0.2% | -0.7% |
| YTD | 14.9% | 14.8% | 0.1% |
| 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** | 53.4% | -15.5% | 68.9% |

* MTD figures reflect performance between June 30, 2018 and July 31, 2018

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

† TASI is a price return index

Fund Characteristics

| | |
|---------------------|------------------|
| No. of Holdings | 25 |
| Weighted Market Cap | SAR 89.1 billion |
| Dividend Yield* | 3.8% |
| P/E Ratio | 15.8 |

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

Fund Metrics

| | Saudi Fund | TASI |
|------------|------------|-------|
| Volatility | 21.8% | 21.8% |
| Beta* | 0.97 | - |

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

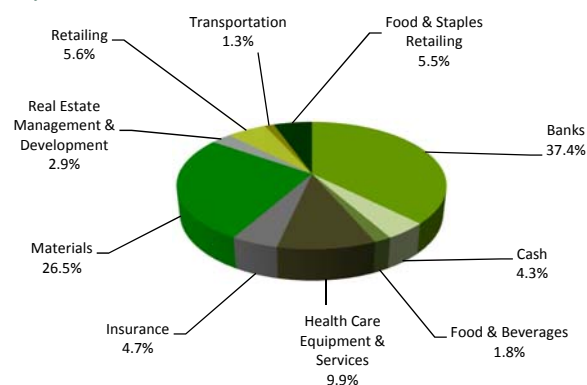
Top Holdings

| Holding | Sector | % Holding |
|-----------------------------|-----------|-----------|
| Al Rajhi Bank | Banks | 14.8% |
| Saudi Basic Industries Corp | Materials | 9.6% |
| National Commercial Bank | Banks | 8.7% |

Fund Information

| | |
|-------------------------|---------------|
| NAV per share | SAR 15.3434 |
| 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 |