

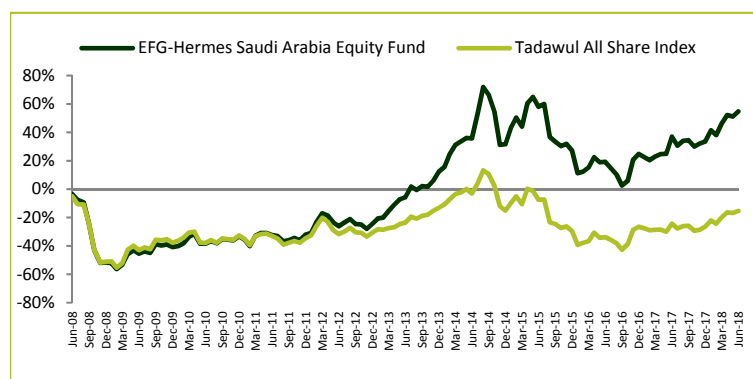
Fund Strategy & Outlook

June'18 ended with TASI exhibiting strong performance; +1.88%, whereas, the Fund performed better than the market; 2.4%. During the month, Saudi Arabia's inclusion in the MSCI Emerging Market was confirmed and oil prices averaged \$78 per barrel.

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 May was very encouraging and credit growth in the economy has shows 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 2.5% in June 2018, up 10bps MoM from 2.4% in May.

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 ¹	Difference
Month to Date*	2.4%	1.9%	0.5%
YTD	15.9%	15.1%	0.8%
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**	54.8%	-15.3%	70.1%

* MTD figures reflect performance between May 31, 2018 and June 30, 2018
** Fund's inception date was June 17, 2008
¹TASI is a price return index

Fund Characteristics

No. of Holdings	25
Weighted Market Cap	SAR 88.7 billion
Dividend Yield*	3.9%
P/E Ratio 18	16.8

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

Fund Metrics

	Saudi Fund	TASI
Volatility	21.9%	21.9%
Beta*	0.97	-

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

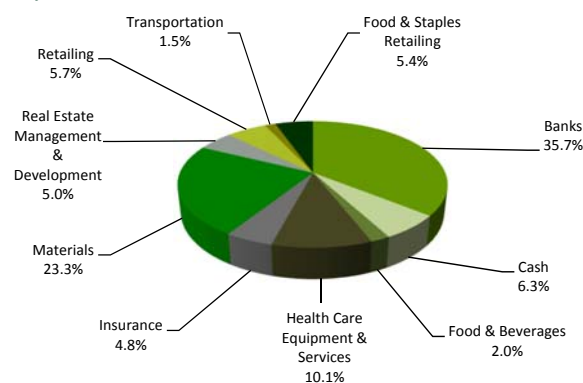
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	14.3%
Saudi Basic Industries Corp	Materials	9.3%
National Commercial Bank	Banks	9.1%

Fund Information

NAV per share	SAR 15.4816
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