

Fund Strategy & Outlook

The Saudi market had a positive performance in March with the TASI gaining 0.4%. The Fund gained 2.1% during the month. Turnover decreased 13.3% MoM with daily traded value averaging SAR 3.25 billion.

Sector-wise performance in March was mixed, with food & beverage, food & staples and healthcare sectors gaining 6%, 5.5% and 4.6%, respectively. Insurance, utilities and consumer services were among the worst performing sectors losing 4.2%, 4.2% and 4%, respectively. Banks outperformed gaining 1%, while materials lost 1.7% due to weaker oil prices during the month. The fund's cash decreased to 2.9% at month-end.

Brent lost 5.8% in March to end the month at USD 53.53/barrel, and on average was 6.7% lower MoM. Concerns about increased supply in the US and compliance with previous cuts announced by OPEC and non-OPEC producers were the main reason behind this decline.

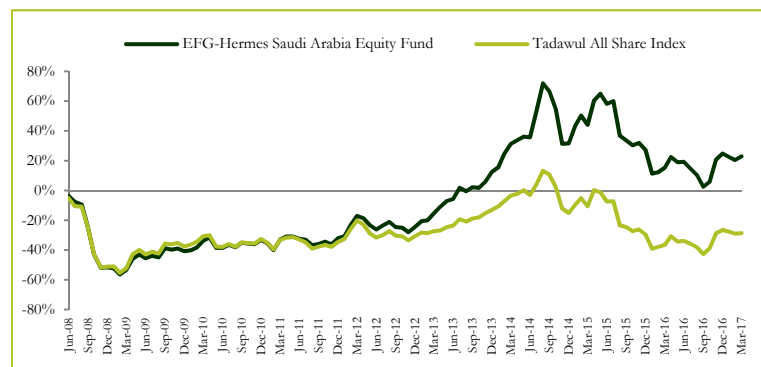
The Saudi Stock Exchange announced that the market will adopt the new T+2 settlement cycle with effect from Sunday April 23, after successful completion of the necessary pilot testing. The market will adopt the new short-selling and securities lending regulations from the same date. This is a big step towards inclusion in the MSCI and FTSE EM indices.

Banking sector loans were flat MoM and YoY, continuing the recent slowing trend in the aftermath of the government's settlement of overdue receivables in late 2016. Sector deposits declined by 1% MoM, remained flat YoY; the regulatory LDR increased again slightly MoM to 82% but remains well below the regulatory ceiling of 90%. Moody's raised its outlook for the Saudi banking system to 'stable' from 'negative', citing improving liquidity / funding conditions and robust capital buffers.

A royal decree was announced setting the tax rate range on oil production companies, including Aramco, between 50% and 85%, based on the level of investments. The higher band which includes investment exceeding SR 375bn will have a set tax rate of 50%. Aramco has confirmed that the rate has been reduced from 85% to 50%. This is another step towards Aramco's IPO and would support a higher valuation for the company.

Cement sector sales volumes continue trending lower. Sales volumes for the sector fell 25% YoY in February 2017. The lack of new projects and continued completion of existing projects is the reason behind the sharp decline in demand.

The Investment Manager believes that the Saudi market will remain correlated with oil prices. Additionally, with the announcement of T+2 settlement satisfying one of the main requirements for inclusion in the MSCI and FTSE EM Indices, the IM will increase exposure to large-cap names. The first quarter results would be announced gradually until May 11th, following an extension of the reporting period by the Tadawul, as this is the first time that non-banks are required to report under IFRS. We expect weak results mainly from cement and consumer discretionary sectors, while petrochemicals, select banks and healthcare should see stronger numbers.



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*	2.1%	0.4%	1.7%
YTD	-1.5%	-2.9%	1.4%
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**	22.9%	-28.7%	51.6%

* MTD figures reflect performance between February 28, 2017 and March 31, 2017.
** Fund's inception date was June 17, 2008
¹ TASI is a price return index

Fund Characteristics

No. of Holdings	25
Weighted Market Cap	SAR 60.1 billion
Dividend Yield*	3.7%
P/E Ratio 17	16.5

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

Fund Metrics

	Saudi Fund	TASI
Volatility	22.9%	22.9%
Beta*	0.97	-

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

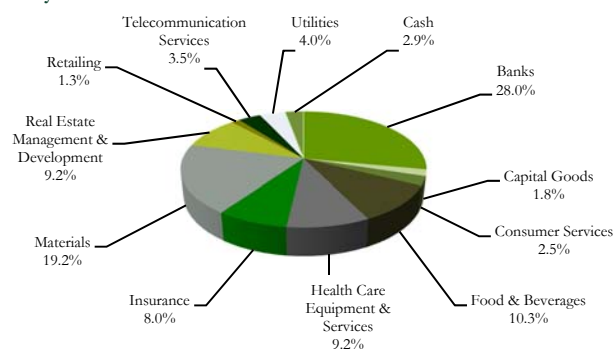
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	9.9%
Saudi Basic Industries Corp	Materials	7.4%
National Commercial Bank	Banks	6.6%

Fund Information

NAV per share	SAR 12.2934
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