

Fund Strategy & Outlook

The market had a stellar performance in March with the TASI gaining 6.1% and the Fund up 5.9%. The market rally was mainly on back of positive expectations of FTSE's Saudi Arabia EM inclusion, which indeed was the case. Turnover increased 25% MoM with daily traded value averaging SAR 4.17bn.

TASI sectors had a mixed performance with Food & Beverage, Materials, Telecom Services being up by 12.2%, 8.5% and 7.7% respectively. Commercial & Professional Services, Healthcare and Diversified Financials were among the worst performing sectors losing 3.5%, 1.8% and 1.3%, respectively. Banks were up by 5.7% during the month.

Brent was 6.83% higher in March, ending the month at USD 70.27/barrel, and on average was 1.5% higher MoM. The possibility of extending the supply cuts beyond 2019. Increased geopolitical tensions (speculation on Iran sanctions) and possibility of further declines in Venezuelan output were the main reasons for the increase in Oil prices.

FTSE Russell announced the classification of Saudi Arabia as a Secondary Emerging market within the FTSE Global Equity Index Series, as part of the Country Classification Interim Update. Based on FTSE Saudi Arabia Inclusion Index Series, Saudi Arabia makes up 2.7% of the FTSE Emerging Index. The inclusion will be phased in over 5 tranches between March 2019 and December 2019. The Saudi Arabia inclusion factor will be 10% in Mar-19, 25% by April-19, 50% by June-19, 75% by September-19 and will reach 100% by December-19. We believe the announcement will be taken positively by the market given the passive inflows on the back of the FTSE upgrade and potential active positioning as the investor base is likely to take this as a pre-cursor for MSCI EM inclusion in June.

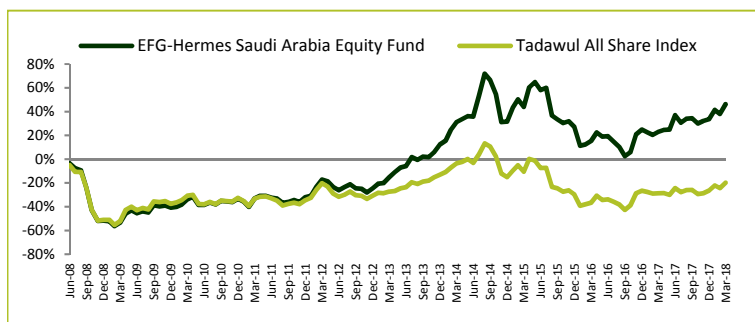
Foreign institutions net bought cUSD1bn in equities during March 2018 - a new record for monthly net foreign inflows into Tadawul. The previous record was USD 703mn during January 2018. The YTD total net foreign institutions inflows is now cUSD 2.13bn.

The government of Saudi Arabia and Soft Bank Group have signed a MoU to construct a solar power park that is expected to be the biggest in the world with investments of USD200bn, creating jobs forecasted to exceed 100,000. The solar complex will generate 200 GW, spanning over the Saudi desert and to be around 100 times larger than the next biggest proposed development.

Outstanding loans were flat MoM in February, pointing to continued subdued bank lending activity. Excess liquidity declined MoM from 18.0% of assets to 17.7%. The share of government securities in bank assets continued to increase, reaching 11.9% in February, up from 8.0% a year earlier. Deposits were down 0.5% MoM and grew by 1.6% YoY in February and -0.5% from December 2017 levels. The composition of deposits improved with the share of demand deposits increasing from 61.8% in December to 62.6% in February. Combined POS/ATM transactions rose 4% YoY in February, marking the third straight month of YoY growth.

Cement sales declined by 10.9% YoY in April 2018 to 4.2mn tons as the continued slowdown in the construction sector is taking its toll on demand. Clinker inventory touched a new record high of 37.5mn tons or +23.2% YoY. Outlook remains negative in the short term.

Investor focus is expected to shift toward the MSCI EM inclusion announcement in the beginning of May 2018. The expectations are for a positive announcement, a precursor from the positive announcement from FTSE. We believe that there is a high likelihood of Saudi Arabia's inclusion. The investment manager's focus remains on large caps and selected mid cap names.



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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*	5.9%	6.1%	-0.2%
YTD	9.5%	8.9%	0.6%
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**	46.3%	-19.8%	66.1%

* MTD figures reflect performance between February 28, 2018 and March 31, 2018

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

¹TASI is a price return index

Fund Characteristics

No. of Holdings	27
Weighted Market Cap	SAR 79.9 billion
Dividend Yield*	3.9%
P/E Ratio 18	20.1

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

Fund Metrics

	Saudi Fund	TASI
Volatility	22.1%	22.2%
Beta*	0.97	-

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

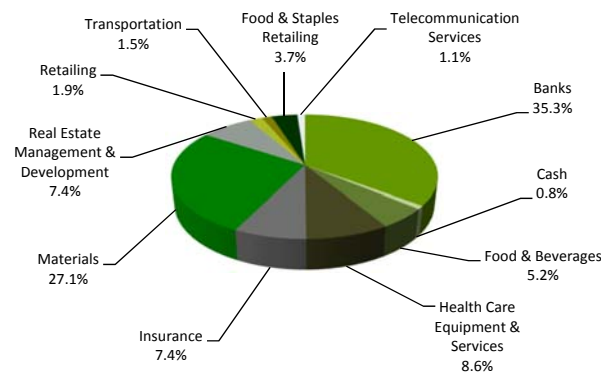
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	13.4%
Saudi Basic Industries Corp	Materials	9.9%
National Commercial Bank	Banks	8.6%

Fund Information

NAV per share	SAR 14.6270
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