

Fund Strategy & Outlook

The Saudi market had a weak performance in May with the Tadawul Index losing 2% and the Fund gaining 0.2%. Turnover decreased 49.5% MoM with daily traded value averaging SAR 2.85bn which isn't surprising given the seasonality in Ramadan and the summer period.

Sector-wise performance in April was mixed, with Retail, Food & Beverage and Media sectors gaining 4.1%, 3.5% and 2.2%, respectively. Capital Goods, REITs and Consumer Services were among the worst performing sectors losing 14%, 11.3% and 8.6%, respectively. Banks outperformed gaining 0.2%, while materials lost 3.7% during the month. The fund's cash position was down to 3.3% at month end.

Brent lost 2.7% in May to end the month at USD 50.31/barrel, but on average was 4.4% lower MoM. Concerns about increased supply in the US and, despite extending the previously announced cuts by OPEC and non-OPEC producers, concerns about its effectiveness, were the main reason behind the slide in the latter half of the month. We believe that the cuts would be extended and Oil prices will be volatile in the short-to-medium term and will range between USD 45 to USD 55.

The Tadawul exchange changed the ticket sizes for the change in stock prices, as of June 4th, to the following: SR0.01 for stocks under SR10, SR0.02 for stocks between SR10 and SR25, SR0.05 for stocks between SR25 and SR50, SR0.10 for stocks between SR50 and SR100 and SR0.2 for stocks above SR100. We believe that this move will reduce speculation in low-priced illiquid names and increase liquidity, and is positive for long-term investors.

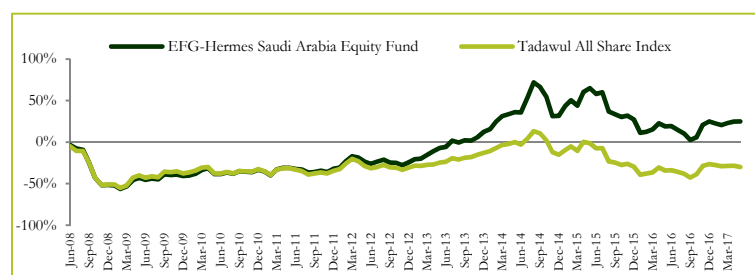
Real estate transactions in Saudi declined by 33% YoY in Sha'aban 1438H (April 2017), taking the YTD declines to 30%. We believe this weakness is mainly driven by the white land fees and general slowdown in the market.

President Trump's first overseas visit was to the Kingdom and saw the signature of numerous multi-billion USD deals involving Saudi Aramco, Ma'aden, SABIC and others. A package of arms deals totalling \$110bn that could potentially increase to \$350bn over 10 years, included a localisation component. The investment agreements are aimed at making progress in achieving key performance objectives set under the 2020 National Transformation Program and Saudi Vision 2030 including (i) diversification of the economy, (ii) increasing private sector contribution and (iii) creating employment opportunities in Saudi Arabia. While these agreements are mostly MOUs, the actual investment size would depend on further negotiations including regulation on FDI in Saudi Arabia and the quality of execution.

SAMA data highlighted that while loan growth remains meager (+0.2% MoM), Saudi banks are deploying excess liquidity by letting go of time deposits (now 27.4% of total, down from the 30.9% peak) and buying government bonds (8.5% of bank holdings, up MoM from 7.9%). POS transactions surged by 11% YoY in April - this may well be taken as a sign that consumers are spending again.

Cement sales continued with its sharp slide this year and declined by 21.4% YoY in May 2017, taking the YTD decline in sales quantities to 19.2%. Clinker inventory began to stabilize as companies cut clinker production significantly. Inventory stood at 28.5mn tons, in comparison to the all-time high levels of 29.0mn reached in March 2017. We remain cautious on the Cement sector due to the overall muted demand outlook and uncertainty on selling prices.

The Investment Manager believes that the Saudi market will focus on MSCI watchlist announcement - a favorable outcome is expected on June 20th and has increased exposure to large caps.



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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*	0.2%	-2.0%	2.2%
YTD	0.0%	-4.7%	4.7%
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**	24.9%	-30.0%	54.9%

* MTD figures reflect performance between April 30, 2017 and May 31, 2017.

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

¹ TASI is a price return index

Fund Characteristics

No. of Holdings	29
Weighted Market Cap	SAR 64.6 billion
Dividend Yield*	3.2%
P/E Ratio 17	11.0

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

Fund Metrics

	Saudi Fund	TASI
Volatility	22.6%	22.7%
Beta*	0.97	-

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

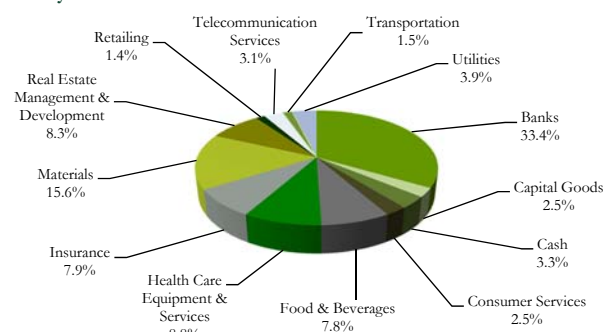
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	11.5%
Saudi Basic Industries Corp	Materials	8.4%
National Commercial Bank	Banks	6.8%

Fund Information

NAV per share	SAR 12.4870
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