

Fund Strategy & Outlook

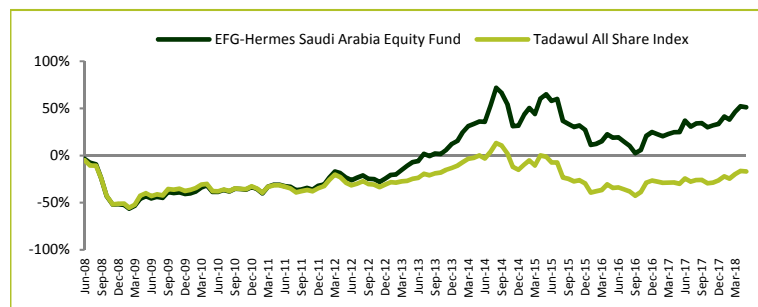
May'18 ended with TASI exhibiting slightly negative performance; -0.58%, whereas, the Fund performed in line with the market; -0.66%. TASI is up 12.9% YTD based on the expected announcement of Saudi's inclusion in MSCI Emerging Market index and rising oil prices. Brent was on average 6.9% higher in May-18 mom and ended the month at USD 77.6/barrel; up 15% YTD. Upcoming OPEC meeting in June-18 and the possibility of supply cuts has put a ceiling on oil gains in the short term.

During the month, Materials Sector gained 1.28% during the month. Given the equal weight strategy to the sector in light of rising oil price environment and Kingdom's inclusion in MSCI, as well as, quality security picks contributed 1.85% to the Fund's performance. Second biggest contributor to return was the banking sector; 0.54% for the Fund vs 0.34% for TASI.

Outlook for the economy is expected to remain stable over medium and long term due to stable oil prices and tax revenues; VAT implementation, rise in utility tariffs, Expat levy. Short term headwinds are expected due to expat exodus and lean spending by corporates and individuals triggered by rising inflation from taxes and higher cost of labor from Saudization. Government spending kick-off will trigger the economic growth in the medium and long term. Rising interest rates in US and consequently Saudi will raise cost of financing for corporates in short term, however, this bodes well for Saudi banks. Total bank deposits declined by 0.5% in April-18 with demand deposits growing by 2% yoy and savings deposits declining by 8.4% yoy. 3M Saibor averaged 2.4% in May 2018, up 10bps MoM from 2.32% in April. Bank credit to private sector grew by 0.7% yoy in April. Combined POS/ATM transactions rose 8% YoY in May-18.

Investor focus is expected to shift toward the MSCI EM inclusion announcement in the mid of June. The expectations are for a positive announcement, a precursor from the positive announcement from FTSE in March 2018. We believe that there is a high likelihood of Saudi Arabia's inclusion. MSCI has shortlisted 32 Saudi companies for index inclusion should Saudi get classified as an Emerging Market. Overall the Fund is positioned to gain from foreign inflows to be triggered by Kingdom's inclusion in MSCI EM Index. 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. Current foreign ownership excluding strategic stakes is 2% (1.2% at beginning of year). Dubai, which was upgraded to EM in 2014 by MSCI, has a foreign ownership of over 20%.

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.



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*	-0.7%	-0.6%	-0.1%
YTD	13.2%	12.9%	0.3%
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**	51.2%	-16.9%	68.1%

* MTD figures reflect performance between April 30, 2018 and May 31, 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 86.5 billion
Dividend Yield*	4.1%
P/E Ratio 18	18.4

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

Fund Metrics

	Saudi Fund	TASI
Volatility	22.0%	22.0%
Beta*	0.97	-

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

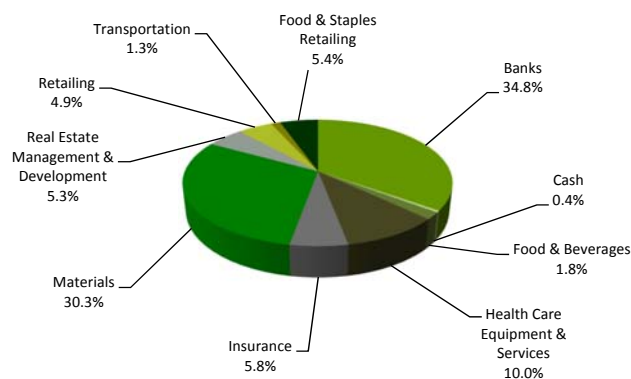
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	14.5%
Saudi Basic Industries Corp	Materials	9.8%
National Commercial Bank	Banks	9.0%

Fund Information

NAV per share	SAR 15.1220
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