

Fund Strategy & Outlook

The **Tadawul All Shares Index** fell by -2.6%, weighing down YTD performance to 6.6%. The weakness was driven by the drop in Petrochemical and Bank sectors.

Brent was 22.2% down in November, ending the month at USD 58.71 barrel. Price has slumped as the USA, Saudi Arabia and Russia increased production. OPEC agreed to remove 1.2mn bpd from the oil market in the first quarter of 2019 (more than 1% of global production) to revive prices. Saudi Arabia output reached 11.2mn bpd in November, up from 10.65 mn bpd in October. The kingdom has pledged to reduce daily output by 500,000 in December and to be followed by another drop to reach 10.2mn bpd in January 2019. In our view, The market is currently experiencing a high level of volatility given the US-China trade war, global economy slowdown fears and current oil oversupply, however we believe OPEC and NON OPEC countries will reach an agreement to stabilize prices in the near future.

Initial signs of stability in Yemen as Saudi Arabia agreed to re-open Hodeidah port as well as decided to end The USA midair refueling for its operations in Yemen. In our view, ending operations in Yemen would be positive for KSA's military budget overspending. Rebuilding damaged infrastructures in Yemen would revive KSA's cement sales. Najran and Southern cement companies would be direct beneficiaries of war end.

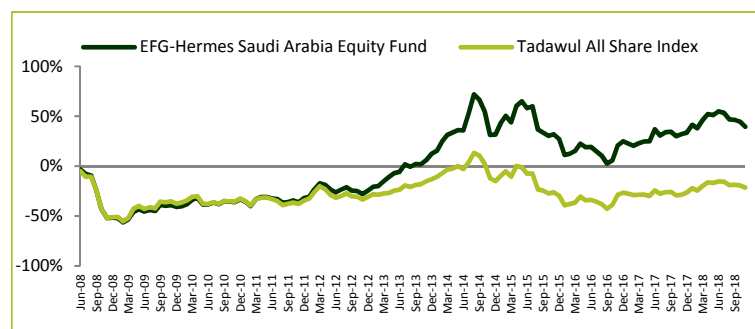
There has been a longstanding disagreement between Saudi banks and General Authority of Zakat & Tax on tax deductions. We expect some banks to be asked to pay liabilities for past years, affecting existing capital ratio and reducing future ROE.

MSCI has moved Bank Al Jazira from small cap index to leading cap index, positioning the stock to benefit from Saudi inclusion into the EM universe in mid-2019. On the other hand, Arab National Bank, Al Tayyar and Southern Cement Company are removed from the leading cap index.

Data released by SAMA in October exhibited credits to private sector grew by 1.7% YoY while deposits rose by 1.2% YoY. Government reserves reached SAR 632bn (4.2% MoM) while, Foreign reserves rose by 2.3% YoY. Combined ATM/POS transactions grew by +5% YoY, supported by spending surge in Restaurants and Hotels as well as Food and Beverage segments. Cost of living increased by 2.4% YoY.

The Saudi Fund exhibited negative performance of -3.5% in November 2018. This was short of the benchmark by 0.9%, mainly due to overweights in Materials and Financials sectors.

The fund is invested in high-quality businesses across various sectors which we believe will attract inflows post Kingdom's inclusion in MSCI EM index in mid-2019. Commodity chemicals and banks represent the largest investment allocation. Our investments in petrochemicals are well positioned to benefit from stable global supply demand environment and wider product spreads, while our investments in Commercial Banks are best positioned for a higher interest rate environment. Additionally, our banks in the portfolio are well capitalized and sport a liquid balance sheet capable of supporting loan growth should credit demand in the country improve.



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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*	-3.5%	-2.6%	-0.9%
YTD	4.5%	6.6%	-2.1%
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**	39.5%	-21.5%	61.0%

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

Fund Characteristics

No. of Holdings	16
Weighted Market Cap	SAR 84.4 billion
Dividend Yield*	4.3%
P/E Ratio	14.9

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

Fund Metrics

	Saudi Fund	TASI
Volatility	21.5%	21.6%
Beta*	0.97	-

*Calculated vs. the Tadawul All Share Index (TASI) 1 year

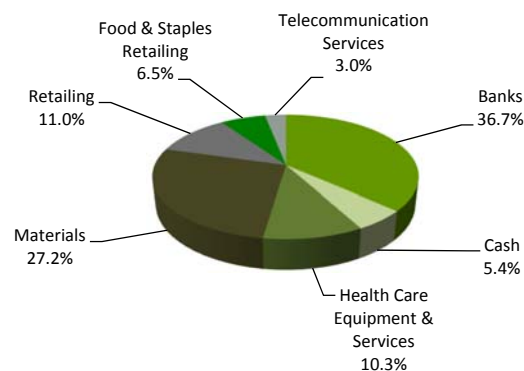
Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	15.4%
Saudi Basic Industries Corp	Materials	9.3%
Mouwassat Medical Services Co	Health Care Equipment & Services	7.5%

Fund Information

NAV per share	SAR 13.9538
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