

Fund Manager's Strategy & Outlook

The Saudi market had a strong performance in October with the TASI Index gaining 6.9% for a YTD loss of 13.01%. The Fund gained 3.2% during the month and is now down 16.8% YTD. Turnover gained MoM with daily traded value averaging SAR 3.04 billion as investors returned from the long summer vacation.

Saudi Arabia successfully issued its maiden international bond. The size of the offering was increased from USD 15bn to USD 17.5bn and the offer received interest to the tune of USD 67bn. This has partially alleviated the domestic liquidity situation and together with the 90-day repo issuance by SAMA, has seen the 3-month Saibor come down from its highs in mid-October. The Saudi 10-year CDS has also fallen to below 1.60% vs. 2.07% towards the end of September.

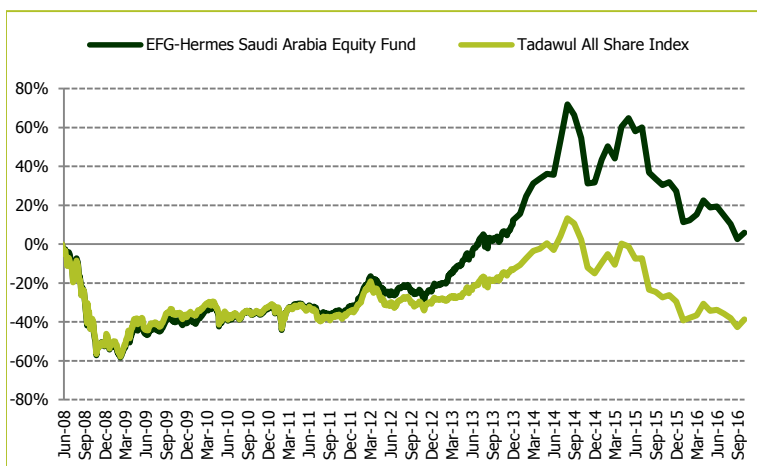
The government announced a cut in certain allowances for government employees which is expected to result in an average cut of approximately 12% to salaries. The government also announced an increase in municipal fees such as commercial licenses, trash collection, ATM licenses, new construction permits and renewing of certain licenses and permits, etc. This will pressurize the retail sector earnings the most.

Earnings for Q3 2016 were weak with total aggregate profit declining 3% YoY at SAR 26.5bn, mainly led by 5% YoY decline in Banks earnings (mainly on lower fee income and deteriorating asset quality). Consumer sector earnings were 21% lower YoY, while cement sector earnings were down by 30% YoY.

All TASI sectors were up in October, except for the Cement sector which was down 9.2%. Industrials, Banks and Real Estate sectors were among the top performing, gaining 14.1%, 13.3%, and 11% respectively. Petrochemicals underperformed gaining 4.2%. The Investment Manager increased exposure to select Banks, Real Estate, and Consumer non-Discretionary names, while reducing exposure to Consumer Discretionary names. Cash increased to 14% at month end.

Brent lost 4.2% in October to end the month at USD 48.61/barrel. There were signs of disagreement within OPEC, and Russia indicated that it has a spare capacity of 4mn bpd which put pressure on Oil prices.

With lower government spending due to lower oil prices, earnings and revenues for companies under pressure, the implementation of the NTP 2020 and the upcoming budget, the Investment Manager maintains his cautious view on the market in the short term.



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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**	3.2%	6.9%	-3.7%
YTD	-16.8%	-13.0%	-3.8%
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*	5.8%	-38.7%	44.5%

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

** MTD figures reflect performance between September 30, 2016 and October 31, 2016.

¹TASI is a price return index

Fund Characteristics

No. of Holdings	24
Weighted Market Cap	SAR 48.1 billion
Dividend Yield*	4.4%
P/E Ratio 16	16.7

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

Fund Metrics

	Saudi Fund	TASI
Volatility	22.9%	22.7%
Beta *	1.0	-

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

Top Three Equity Holdings

Holding	Sector	% of NAV
Al Rajhi Bank	Banks & Financial Services	8.0%
Samba Financial Group	Banks & Financial Services	7.5%
Saudi Basic Industries Corp	Petrochemical Industries	6.4%

Fund Data

NAV per Share	SAR 10.5846
Management Fee	2%
Minimum Subscription	SAR 50,000
Subscription / Redemption	Twice Weekly
Inception Date	June 17, 2008

Fund Identifiers

ISIN Code	XC000A1W4DX3
Bloomberg Ticker	EFGSAUD AB
Reuters Code	LP65122906

Allocation by Economic Sector

