

Fund Manager's Strategy & Outlook

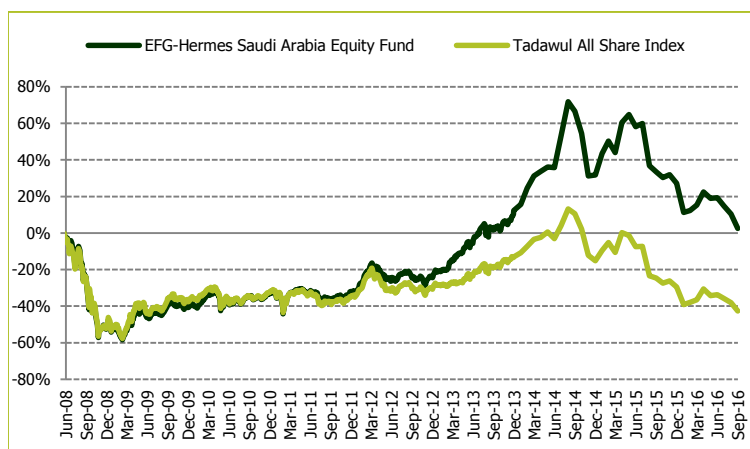
The Saudi market resumed its drop in September with the Tadawul All Share Index losing 7.5% for a YTD loss of 18.7%. The Fund lost 7.1% during the month and is now down 19.4% YTD. Turnover fell further MoM with daily traded value averaging SAR 2.78 billion as the summer period has historically seen slower activity.

The US congress overwhelmingly over-ruled President Obama's veto on a bill that would allow families of the 9/11 terrorist attack victims to sue the Saudi government. Justice Against Sponsors of Terrorism Act grants an exception to the legal principle of sovereign immunity in cases of terrorism on US soil. This will have consequences to sour the strong relationship that Saudi Arabia and the USA share and hence have negative implications on the regional geopolitical front as well as Saudi funds / investments in the USA.

All TASI sectors were down in September, without exception. Media, Hotels, and Building/Construction sectors were among the worst performing sectors losing 22%, 19.6%, and 16.1% respectively. Petrochemicals outperformed losing 2.8%. The Investment Manager increased exposure to select Banks, Petrochemicals, and Food/Agriculture names, while reducing exposure to the consumer related names, and decreased cash to 7.2% at the month end.

Brent gained 4.3% in September to end the month at USD 49.06/barrel. OPEC agreed to freeze output between 32.5 and 33 mbpd. There were no details on how much each member would produce, but the fact that Saudi Arabia and other OPEC members are now willing to accept that flooding the market with crude oil isn't helping, bodes well to support oil prices in the short term.

With weak third quarter results expected, oil prices volatile, the implementation of the NTP 2020, US elections and upcoming budget, the Investment Manager maintains his cautious view on the market in the short term.



EFG-Hermes Asset Management
Tel: 966 11 293 8048/9 Fax: 966 11 293 8032
e-mail : 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**	-7.1%	-7.5%	0.4%
YTD	-19.4%	-18.6%	-0.8%
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*	2.5%	-42.7%	45.2%

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

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

¹TASI is a price return index

Fund Characteristics

No. of Holdings	27
Weighted Market Cap	SAR 42.2 billion
Dividend Yield*	5.2%
P/E Ratio 16	13.1

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

Fund Metrics

	Saudi Fund	TASI
Volatility	23.0%	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	7.5%
Saudi Basic Industries	Petrochemical Industries	6.3%
Advanced Petrochemical Co	Petrochemical Industries	5.5%

Fund Data

NAV per Share	SAR 10.2536
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

