

## Fund Strategy & Outlook

The market had a flat performance in September with both TASI and the Fund gaining 0.3%, with YTD outperformance of the fund remaining at 6.7%. Turnover increased 9.6% MoM with daily traded value averaging SAR 3.14bn.

Sector-wise performance in August was mixed with Commercial & Professional Services, Consumer Services and Diversified Financial sectors gaining 12.3%, 7.9% and 6.4%, respectively. Telecom, Real Estate and Healthcare were among the worst performing sectors losing 9.5%, 8.6% and 8%, respectively. Materials gained 1.1% during the month and banks stood flat for the month.

Brent was 9.8% higher in September, ending the month at USD 55.37/barrel, and on average was 6.6% higher MoM. It is expected that the OPEC and Non-OPEC agreements for supply cuts could be extended until the end of 2018.

The big headline in Saudi Arabia was that of women being allowed to drive from June 2018. Labor force participation for the women is expected to increase. This is positive for the retail, banking and transportation sectors.

FTSE announced a delay in Saudi Arabia entering the FTSE GEIS Index. FTSE Russell proposes to bring forward the next formal assessment of Saudi Arabia's classification status to March 2018 when the timing of inclusion will be made. The tone of the announcement was extremely positive.

Excess liquidity in the banking system continued to be deployed to buy government bonds (now 10.0% of assets). This continues to contribute to elusive loan growth (just 0.3% MoM). The share of time deposits reached 29.9%. POS transactions were up 11% M-o-M and cash withdrawals from ATMs were up 20% MoM.

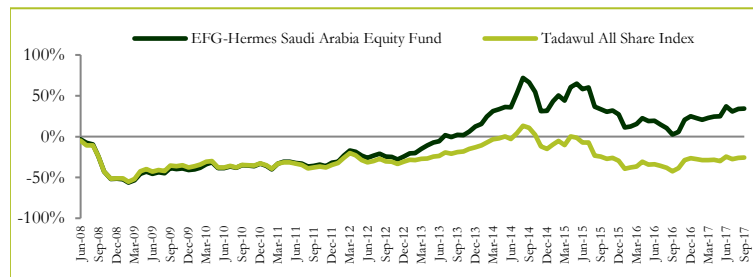
The government raised USD 12.5bn in the second dollar bond this year and has received 345k bills worth SAR 525bn from the private sector's contractor entities during FY16/17; 98% of the bills were paid within 60 days.

There were reports that the Saudi government is re-drafting the NTP, pushing out some target dates and clarifying responsibilities to facilitate implementation. The reported delay of Saudi Aramco's IPO were denied by the company. It is expected that the government will raise local gasoline pricing to market levels by November.

Corporate activity continued with Savola selling a 2% stake (\$0.3bn) in Almarai to institutional investors on September 12, and Credit Agricole selling a 16% stake (\$1.5bn) in Banque Saudi Fransi to Kingdom Holding on September 20.

Cement sales volumes fell 6.9% YoY in September 2017 and were 15.5% lower MoM. Construction activity is still slow and the sector keeps suffering on account of cuts in government spending on infrastructure.

The focus for the near term would be the Q3 results. We expect strong results for the petrochemical sector; results are expected to be stable for banks and negative for the cement sector. The market is expected to remain volatile and range bound in the 6,800-7,200 band in the near 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 <sup>1</sup>	Difference
Month to Date*	0.3%	0.3%	0.0%
YTD	7.7%	1.0%	6.7%
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**	34.5%	-25.8%	60.3%

\* MTD figures reflect performance between August 31, 2017 and September 30, 2017

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

<sup>1</sup> TASI is a price return index

## Fund Characteristics

No. of Holdings	28
Weighted Market Cap	SAR 69.4 billion
Dividend Yield*	3.6%
P/E Ratio 17	16.2

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

## Fund Metrics

	Saudi Fund	TASI
Volatility	22.5%	22.5%
Beta*	0.97	-

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

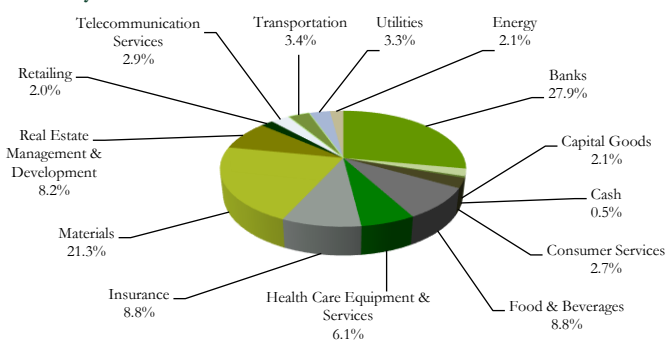
## Top Holdings

Holding	Sector	% Holding
Al Rajhi Bank	Banks	12.1%
Saudi Basic Industries Corp	Materials	8.9%
National Commercial Bank	Banks	6.8%

## Fund Information

NAV per share	SAR 13.4467
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