

**Quarterly Report**  
Quarter Ending 31 December 2017

18C120 -AM

# ELITE FLEXI SAUDI EQUITIES FUND

Quarterly Report  
Quarter Ending 31 December 2017

## Main Points

- The fund commenced operations in May 2016
- The fund returned -6.04% in Q4 2017, with an average allocation of 90% to Saudi Equities

## Commentary: Inflection point... which direction?

During Q4 2017, the Fund registered -6.04% return while its investment universe went down by 0.49%. Biggest positive contributors to the Fund returns were YANSAB, MEHCO and Saudi Chemical contributing 59, 35 and 32 bps to the returns respectively. Al Tayyar, Fawaz Alhokair and Zain KSA were the biggest negative contributors to the returns detracting 175, 133 and 36 bps from the Fund returns.

The Saudi government announced the budget for 2018 with record high spending of SR978 billion which is an increase of 5.6% YoY over the spending in 2017 of SR926 billion with the biggest absolute increase going to the economic resources and infrastructure & transportation sectors (increases of 170% and 88%, respectively). The most important part of this budget is the increase in capital spending by 13.6% to SR205 billion which is expected to stimulate the economy through new projects and initiatives. The stimulation of the economy is essential now since GDP is expected to contract by 0.5% in 2017 mainly due to the oil GDP shrinking by 4.3% which was slightly offset by the increase in non-oil GDP of 1.5%. In 2018, GDP is expected to grow by 2.7% supported by the increase in non-oil GDP of 3.7%.

Revenues in 2018 are expected to reach SR783 billion, an increase of 12.6% YoY, with oil revenue generating SR492 billion while non-oil revenue will increase by almost 14% to reach SR291 billion. Main reason for the increase in non-oil revenue is due to the increase in tax revenues by SR45 billion after implementing the VAT and other reforms. In 2017, the deficit is expected to reach SR230 billion which is 16% higher than the budgeted SR198 billion due to the increase in

## Markets Performance Summary

Market	Bloomberg Ticker	Quarterly Perf. (%)	YTD (%)
Saudi (TASI)	SASEIDX index	-0.78	0.22
S&P Saudi Shariah Domestic	SPSHDSAD index	-0.49	-1.86
Pan Arab	SPSHPAT index	0.24	3.74
Elite Flexi Fund	ELFLSEF AB Equity	-6.04	-2.83
Gold	XAU curncy	1.20	12.49
Brent	CO1 Comdty	16.48	19.11

The percentage of total fees and charges of the quarter to the average of the net assets value of the fund. 0.20%

Profits distributed during the quarter NIL

The fund's manager investments NIL

Dealing expenses for the quarter SAR 23,403.49

Percentage of borrowings to the fund's net assets value at the end of the quarter NIL

Shariah Purification Amount (Jan. 1st to Sep. 30th, 2017) SAR 818.79

delayed payments to the private sector. Despite this increase, the deficit in 2017 is around 8.9% of GDP which is lower than the 12.8% recorded in 2016. The deficit in 2018 is expected to decrease further to 7.3% of GDP to reach SR195 billion.

On the development front, RFIs were sent to suppliers for nuclear power plants, Public Investment Fund (PIF) took over the unfinished USD10bn King Abdullah Financial District project in Riyadh and IMF endorsed the USD0.5trillion NEOM (smart city) project as the move in the right direction not only for KSA but also for the region.

Moreover, the PIF focused on religious tourism and residential housing earlier in the quarter by launching projects in Makkah, Madinah and setting up a mortgage refinance company. ARAMCO denied reports of shelving IPO; however, China offered to buy up to 5% of ARAMCO either in a private placement or public listing book building.

Although Brent was up 19.1% by the end of the year and the 2018 budget seems to be positive, the market closed flat mainly due to the uncertainties regarding the impact of the reform plans. Going forward, the impact of the NTP measures on companies and any further announcements from the government or changes to the plans will dictate the direction of the market.

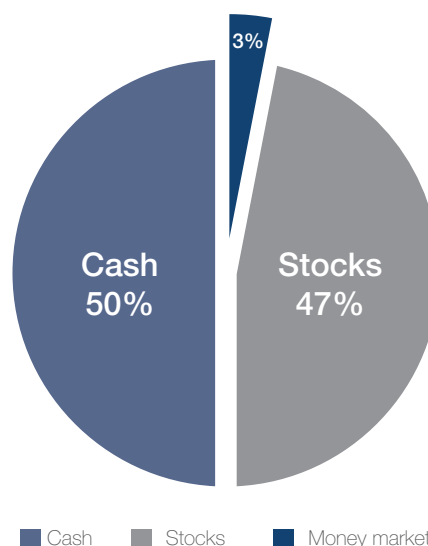
## Fund Statistics

Liquidity Analysis (No. of days needed to liquidate)

Market %	50	75	90	95	100
5	0.02	0.41	1.26	1.69	3.42
10	0.01	0.21	0.63	0.85	1.71
15	0.01	0.14	0.42	0.56	1.14
20	0.00	0.10	0.31	0.42	0.86
25	0.00	0.08	0.25	0.34	0.68
30	0.00	0.07	0.21	0.28	0.57

<b>FUND MANAGER</b>	SED CO Capital
<b>INCEPTION DATE</b>	May 25, 2016
<b>CURRENCY</b>	Saudi Arabian Riyal (SAR)
<b>FUND SIZE</b>	SAR 14.96 million
<b>BENCHMARK</b>	S&P Saudi Shariah Index
<b>MINIMUM SUBSCRIPTION</b>	SAR 10,000
<b>DEALING / VALUATION DAY</b>	Monday and Wednesday of each week. When any such day is not a Business Day, the Valuation Day is the immediate following Valuation Day
<b>CUT-OFF TIME FOR RECEIVING SUBSCRIPTION/ REDEMPTION REQUESTS</b>	4:00 pm KSA local time on a dealing day
<b>SUBSCRIPTION FEES</b>	Up to 2% of the subscription amount. This fee will be exclusive of the subscription amount
<b>REDEMPTION FEES</b>	1% if units are redeemed within 30 days of subscription
<b>MANAGEMENT FEES</b>	0.75% per annum of the NAV
<b>PERFORMANCE FEES</b>	20% of outperformance if the manager outperforms the benchmark
<b>ADMINISTRATOR &amp; CUSTODIAN FEES</b>	0.10% per annum of the NAV
<b>AUDITOR</b>	KPMG
<b>ADMINISTRATOR &amp; CUSTODIAN</b>	Saudi Fransi Capital

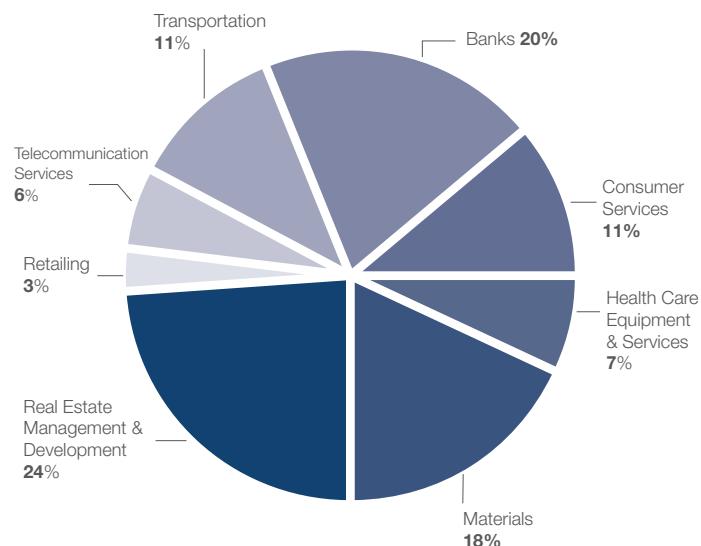
## Fund's Asset Allocation



## Fund Top Holdings

Company	Sector	Weight %
Jabal Omar	Real Estate	10.65
Al Rajhi Bank	Banks	9.93
Al Tayyar	Consumer Discretionary	5.55
Saudi Ground Services	Industrials	5.39
Middle East Healthcare	Healthcare	3.67
Saudi Chemical	Healthcare	3.41

## Fund's Asset Allocation



## Fund Performance

%	Q4 2017	YTD	ITD**
Elite Flexi Saudi Equities Fund	-6.04	-2.83	5.99
Benchmark	-0.49	-1.86	8.40

## Fund Risk

%	Q4 2017	YTD	ITD**
Volatility	8.34	7.34	7.48
Tracking Error (Annualized)	3.14	3.74	5.92

Beta	0.90	0.74	0.58
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List of issuers which shares constitute the largest ten investments in the fund portfolio their percentages as it is in the first day of the quarter

Issuer	%
Saudi Basic Industries Corp.	13.81%
Al Rajhi Bank	12.08%
Al Badr Fund SAR	9.87%
Jabal Omar Development Co.	6.73%
Saudi International Petrochemical Co.	5.93%
Altayyar Travel Group.	5.53%
Yanbu National Petrochemical Co.	4.83%
Almarai Co.	4.30%
Saudi Telecom Co.	4.22%
Saudi Arabian Mining Co.	3.90%
The percentage of total fees and charges of the quarter to the average of the net assets value of the fund.	2.28%
Profits distributed during the quarter	-
The fund's manager investments amount	-
Dealing expenses for the quarter	SAR 23,403.49/-
Percentage of borrowings to the fund's net assets value at the end of the quarter.	-

## Fund's performance standards and index

Fund returns since inception	5.99%
Fund returns 3Y	NA
Fund returns 5Y	NA
Fund returns 10Y	NA

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