

## INVESTMENT MANAGEMENT

Morgan Stanley Saudi Arabia Funds

### Saudi Equity Fund

#### CONTACT DETAILS

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#### Fund Aim

To provide long-term capital appreciation and growth by investing in securities listed on the Saudi Stock Exchange, Tadawul and in securities offered in the course of an Initial Public Offering (IPO) in the Kingdom of Saudi Arabia.

#### Investment Process

The manager of the Morgan Stanley Saudi Equity Fund (Fund Manager) employs an active investment strategy by selecting securities which it believes will appreciate in value based on an analysis of sector and/or the expected return or growth of individual securities.

When selecting security investments for the Morgan Stanley Saudi Equity Fund, the Fund Manager adopts a long-term approach, focusing on the market price of a company's securities relative to the Fund Manager's evaluation of the company's potential long-term earnings, asset value and cash flow potential.

#### Investment Philosophy

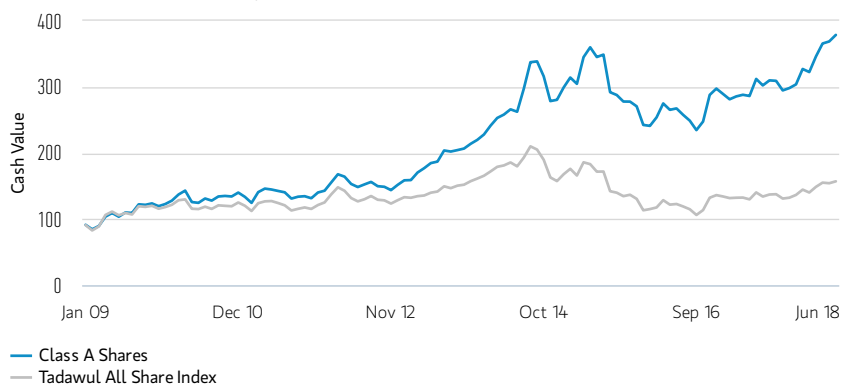
The Riyadh-based team believes that fundamentals-driven, stock-specific investing when carried out within the context of broad Saudi macroeconomic themes can be successful in creating value for investors. Furthermore, the current mix between retail and institutional investors creates intrinsic price anomalies that can be a potential source of additional returns. The team believes it can best exploit these anomalies by applying a top-down sector allocation and bottom up stock selection approach.

Investment Team	JOINED FIRM	YEARS OF INVESTMENT EXPERIENCE
Najmul Hasnain, Head of Saudi Arabian Equity Team	2007	24
Khurram Javed, Vice President	2008	10
Alowi AliMirah, Vice President	2007	11

Team members may be subject to change at any time without notice.

#### Returns in SAR versus Benchmark

##### Performance of 100 Saudi Riyals invested Since Inception (Cash Value)



#### Annualized Performance in Saudi Riyal, net of fees, vs benchmark (%)

PERIOD <sup>1,2</sup>	Cumulative (%)		Annualised (% p.a.)		
	1 YR	3 YR	5 YR	INCEPTION	
Class A Shares	21.34	3.13	15.15	15.08	
Tadawul All Share Index	11.96	(2.92)	2.09	4.89	

Calendar Year Returns (%)	2017	2016	2015	2014	2013
Class A Shares	2.13	9.91	(3.51)	27.55	44.87
Tadawul All Share Index	0.22	4.32	(17.06)	(2.37)	25.50

<sup>1</sup> Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of units.

<sup>2</sup> The benchmark is a price return Index.

Please refer to the important information at the end of this document.

#### Fund Facts

Launch date	06 January 2009
Location	Riyadh, Saudi Arabia
Base currency	Saudi Riyal (SAR) 1 USD = 3.75
Benchmark	Tadawul All Share Index
Investment universe	All stocks listed on Tadawul
Minimum subscription	50,000 SAR (USD 13,333)
Liquidity	Twice weekly, Sunday & Tuesday
Unit price	SAR 378.6121
Total assets	SAR 35.27 million
Country of domicile	Kingdom of Saudi Arabia
Fund manager	Morgan Stanley Saudi Arabia
Custodian	HSBC Securities Ltd, Saudi Arabia
Auditor	Ernst & Young, Saudi Arabia

#### Charges (% of NAV p.a.)

	CLASS A
Subscription fee	1.50
Management fee	1.75

#### Statistics (3 Year annualised)<sup>3</sup>

	CLASS A	INDEX
Excess Return (%)	6.05	--
Alpha (%)	5.72	--
Beta	0.93	1.00
Correlation	0.96	1.00
Tracking error (%)	4.37	--
Information ratio	1.38	--

<sup>3</sup> The numbers are calculated on a rolling 3 years basis.

#### Sector Allocation (% of Total Net Assets)<sup>4,5</sup>

	FUND
Financials	44.25
Materials	29.41
Health Care	8.03
Telecommunication Services	4.96
Industrials	3.75
Consumer Discretionary	3.40
Consumer Staples	3.20
Energy	1.79
Real Estate	1.00
Cash & equivalents	0.22

<sup>4</sup> May not sum to 100% due to rounding.

<sup>5</sup> For additional information regarding sector classification/definitions please visit [www.msci.com/gics](http://www.msci.com/gics) and the glossary at [www.morganstanley.com/irm](http://www.morganstanley.com/irm).

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The investment performance of the Morgan Stanley Saudi Equity Fund is calculated on a total return basis (i.e., with cash dividend reinvested), while the investment performance of the benchmark is provided on price return basis (i.e., it does not include dividends). The dividend yield as per Bloomberg for TASI was 3.24% as of 30 June 2018.

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Past performance is not a guarantee of future performance. The value of the investments and the income from them can go down as well as up and an investor may not get back the amount invested. There are special risk considerations associated with investing in emerging country securities including (1) restrictions on foreign investment, (2) currency fluctuations, (3) potential price volatility and lesser liquidity of shares, (4) political and economic risks, (5) settlement systems may be less well organized and less developed. There are also varying levels of government supervision and regulation of exchanges, financial institutions and issuers in various countries. In addition, accounting, auditing, financial and other reporting standards are not equivalent to those of more developed countries, and therefore less information may be available than in more developed countries.

Funds that specialize in a particular region or market sector are more risky than those which hold a very broad spread of investments. Where portfolio concentration is in one sector it is subject to greater risk and volatility than other portfolios that are more diversified and the value of its shares may be more substantially affected by economic events.

These investments are designed for investors who understand and are willing to accept these risks. Performance may be volatile, and an investor could lose all or a substantial portion of his or her investment.

Please click this hyperlink to the [Information Memorandum](#) for further information regarding the principle risks, terms and conditions of investing in the Morgan Stanley Saudi Equity Fund.