



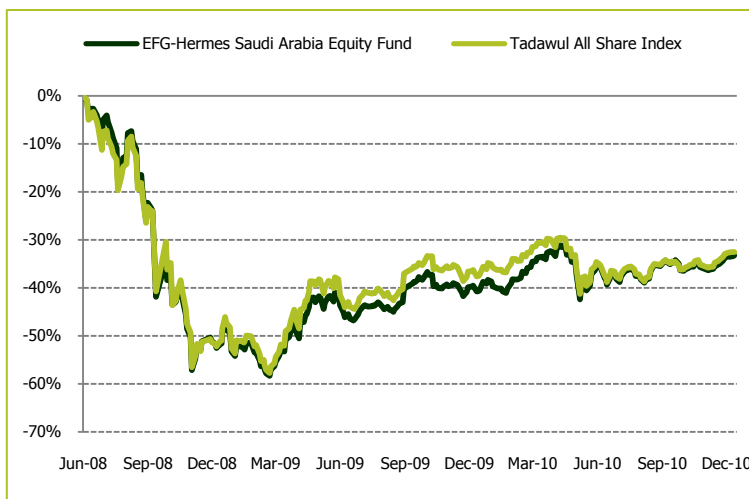
Fund Manager's Strategy & Outlook

The Tadawul All Share Index gained 4.8% in December while the EFG-Hermes Saudi Arabia Equity Fund added 4.4% on the back of higher commodity prices, and a broad-based rally in global equities on back of improved investor sentiment. The Fund finished the year +12.7% outperforming the Saudi market by 4.5% which gained 8.2% in 2010.

The Saudi Market rally was primarily driven by oil prices which closed the year at USD 91.38 per barrel (WTI) gaining nearly 8% in December alone on the back of recovering demand and uncertainty in global currency markets. As a result of commodity price strength, the market's best-performing sectors for 2010 were petrochemicals and energy which gained 21% and 19%, respectively. The Fund's overweight to these spaces helped drive outperformance vs. the Tadawul All Share Index (TASI) during the year. The retail sector notably added 12% over the same period on the back of demand recovery and favorable demographics in the Kingdom. The real estate, insurance and hospitality sectors posted negative returns for the year.

In December, the Saudi government announced its expansionary 2011 budget at SAR580 billion (USD155 billion), which is its largest planned expenditure in history and 10% increase over actual spending levels in 2010. This budget assumes an oil price of around USD50 – 55 per barrel which would imply a budget revenue of SAR540 billion (USD144 billion). Real non-oil GDP growth accelerated to 4.4% in 2010, while real GDP growth came in around 3.8% for the year. Both figures are expected to gain more in 2011 on the back of expansionary spending on infrastructure development and economic diversification fuelled by commodity price strength and return in global economic activity.

The Investment Manager is projecting strong market performance in 2011 on the back of another record budget, accommodative monetary policies, and demand recovery in the Kingdom. We are forecasting the average EPS Growth for Saudi companies at around 18% in the coming 12 months. We also believe competitive advantages enjoyed by Saudi companies including geographic location, access to cheap feedstock, and relatively low cost of funding bode well for broad positive performance in the coming year.



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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	Difference
Month to Date	4.4%	4.8%	-0.4%
2010	12.7%	8.2%	4.5%
2009	22.4%	27.5%	-5.1%
2008 *	-51.6%	-51.1%	-0.5%
Inception to Date	-33.3%	-32.5%	-0.8%

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

Fund Characteristics

No. of Holdings	30
Weighted Market Cap	SAR 82.2 billion
Dividend Yield*	2.4%
P/E Ratio 10	13.9x

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

Fund Metrics

	Saudi Fund	TASI
Volatility	27.9%	28.8%
Alpha *	2.2%	-
Beta *	0.96	-

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

Top Five Equity Holdings

Holding	Sector	% of NAV
SABIC	Petrochemicals	14.2%
Al Rajhi Bank	Banks & Financial Services	12.7%
Samba Financial Group	Banks & Financial Services	6.3%
Etihad Etisalat	Telecom & IT	5.8%
Bank Saudi Fransi	Banks & Financial Services	4.5%

Fund Data

NAV per Share	SAR 6.6716
Management Fee	2%
Minimum Subscription	SAR 50,000
Subscription / Redemption	Twice Weekly
Inception Date	June 17, 2008

Fund Identifiers

Bloomberg Ticker	EFGSAUD AB
Reuters Code	LP65122906

Allocation by Economic Sector

