



Fund Manager's Strategy & Outlook

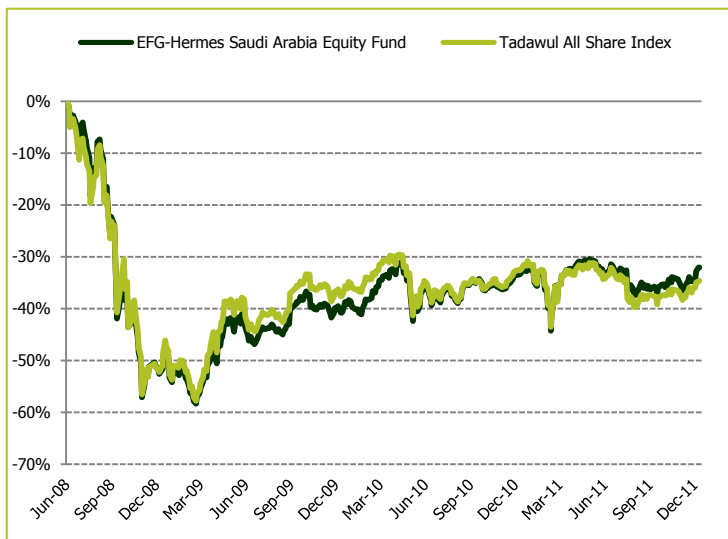
The Saudi market rallied in December with the Tadawul All Share Index gaining 5.1%. The Fund gained 6.4% during the month to close the year up 1.8% compared to a drop of 3.1% for the TASI index. While the Saudi market performance did not reflect the country's strong economic fundamentals during 2011, it displayed a lot of resilience in a turbulent year that witnessed the fall of regional political dynasties and the decline of global economic powerhouses.

The retail sector – the Fund's biggest overweight for the year – was the market's third top performer ending the year up 31.5%. The cement sector, the market's second top performer with a gain of 36.0% in 2011, also contributed strongly to performance despite its lower allocation in the Fund.

Saudi Arabia released a record budget for the year 2012 reflecting the country's continued expansionary fiscal stance. Budgeted spending came in at SAR 690 billion compared to SAR 580 billion in 2011. The budget reflects an increase in capital spending to 32.9% of total government expenditure in 2012, with education, healthcare, utilities, and infrastructure being the key areas. While preliminary actual spending in 2011 was SAR 804 billion largely due to a massive political stability package announced earlier during the year, the Kingdom is expected to continue overspending in 2012 with actual expenditure forecasted to surpass 2011 levels.

The Saudi government reshuffled some key positions towards the end of the year including the minister of economy & planning, the minister of commerce & industry, the central bank governor, as well as the ministers of Hajj and civil services. Most of the positions have gone to younger technocrats with strong professional backgrounds. The reshuffle is seen as a reflection of current government objectives and a drive to strengthen the respective areas.

The Investment Manager is bullish on the Saudi market going into the new year. The Kingdom's strong macro backdrop - with high oil prices and reserves of more than SAR 2 trillion facilitating a continued expansionary fiscal policy - coupled with strong consumer spending, a recovering banking sector, and a potential opening of the market to direct foreign investors bode well for a strong market performance in 2012.



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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**	6.4%	5.1%	1.3%
Year to Date	1.8%	-3.1%	4.9%
2010	12.7%	8.2%	4.5%
2009	22.4%	27.5%	-5.1%
2008*	-51.6%	-51.1%	-0.5%
Inception to Date	-32.1%	-34.6%	2.5%

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

** MTD figures reflect performance between November 30th, 2011 and December 31st, 2011

Fund Characteristics

No. of Holdings	25
Weighted Market Cap	SAR 57.9billion
Dividend Yield*	2.9%
P/E Ratio 11	10.1x

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

Fund Metrics

	Saudi Fund	TASI
Volatility	25.5%	25.9%
Beta *	0.97	-

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

Top Five Equity Holdings

Holding	Sector	% of NAV
SABIC	Petrochemical Industries	10.4%
Al Rajhi Bank	Banks & Financial Services	9.3%
Etihad Etisalat	Telecom & IT	7.9%
Samba Financial Group	Banks & Financial Services	7.1%
Banque Saudi Faransi	Banks & Financial Services	6.5%

Fund Data

NAV per Share	SAR 6.7943
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

