



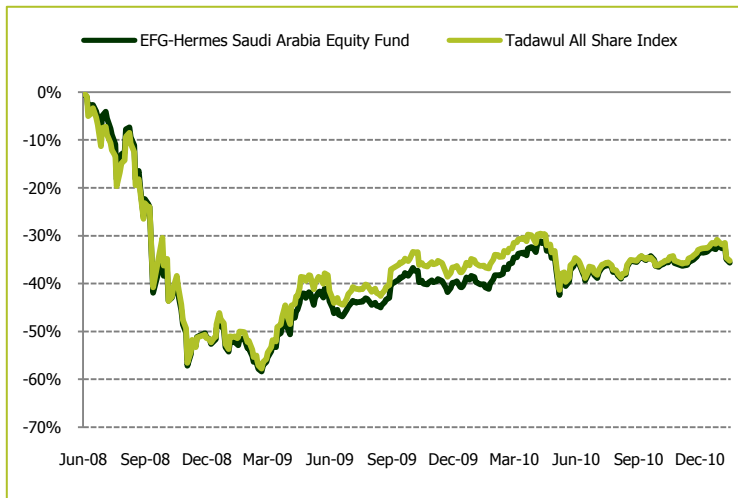
Fund Manager's Strategy & Outlook

The Tadawul All Share Index lost 4% in January as the EFG-Hermes Saudi Arabia Equity Fund started the year -3.6% on the back of contagion from Egypt's political crisis. Strong earnings results acted as a catalyst for a 2.5% rally in the market during the first half of the month. As it became clear that the popular uprising in Tunisia had regional implications and Egypt followed suit, the Saudi market was not immune and reversed earlier gains.

Results for Q4 2011 posted solid earnings growth on both a QoQ and YoY basis led by banking names which positively surprised on the back of lower provisions. Consumer plays and petrochemical companies also reported strong results, while the building and construction sector negatively surprised. Earnings growth and an overwhelmingly positive macro backdrop support the Investment Manager's view that fundamentals in the Saudi market remain intact. Saudi companies have a relatively limited exposure to Egypt, while contagion risk in Saudi is very low for reasons relating to major differences in economic conditions and cultural heritage among others. The Investment Manager did take advantage of the short-term dislocations in the Saudi market to increase overall exposure from 94% to 99% as the Egypt driven sell-off presented attractive opportunities. The Fund increased its allocation to the banking, retail and construction sectors while trimming exposure to cement and telecom names.

Saudi Arabia's headline Price Manufacturing Index (PMI) rose by more than 2 points in January to a series high of just under 64. While new export orders posted gains in January, the key driver continued to be domestic demand - a trend consistent with government-led infrastructure and development spending. Another positive development during the month was a bulletin released by the Saudi Arabian Monetary Authority (SAMA) which revealed that private sector credit in Saudi Arabia grew 5.7% Y-o-Y in December 2010. The data showed a pick-up in lending to the manufacturing, utilities, transport, and communication sectors. Lending to the construction and building segment also grew at 24% YoY suggesting that risk averseness is gradually declining.

The market is expected to consolidate following the recent rebound on the back of the improving situation in Egypt. While regional political developments might continue to influence the market in the short term, the Investment Manager expects the Saudi market to perform strongly as uncertainty and volatility abate.



EFG-Hermes Asset Management

Tel: 9714-363 4047 / Fax: 9714-362 1171
e-mail : AMsales@efg-hermes.com

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	-3.6%	-4.0%	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	-35.7%	-35.2%	-0.5%

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

Fund Characteristics

No. of Holdings	28
Weighted Market Cap	SAR 63.9 billion
Dividend Yield*	2.4%
P/E Ratio 10	13.6x

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

Fund Metrics

	Saudi Fund	TASI
Volatility	27.5%	28.4%
Alpha *	2.0%	-
Beta *	0.96	-

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

Top Five Equity Holdings

Holding	Sector	% of NAV
Al Rajhi Bank	Banks & Financial Services	11.2%
SABIC	Petrochemicals	11.0%
Samba Financial Group	Banks & Financial Services	7.2%
Riyad Bank	Banks & Financial Services	6.5%
Etihad Etisalat	Telecom & IT	6.2%

Fund Data

NAV per Share	SAR 6.4337
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

