



Fund Manager's Strategy & Outlook

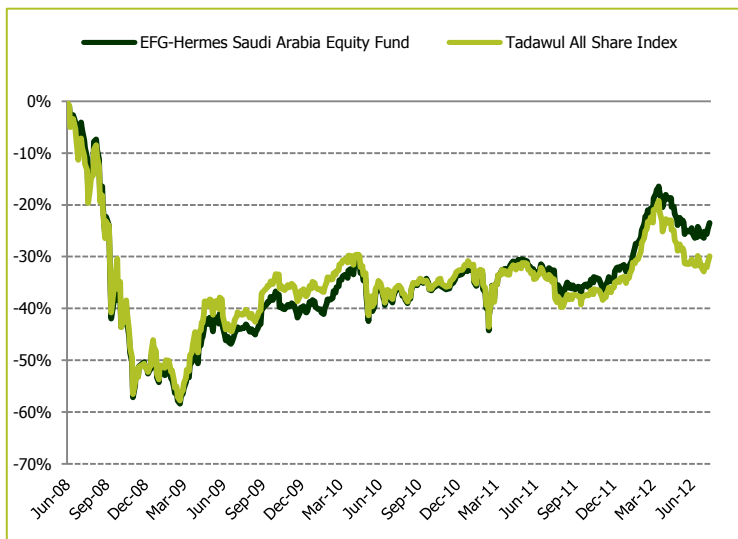
The Saudi market rebounded in July with the Tadawul All Share Index rising 2.5% for a YTD performance of 7.2%. The Fund gained 3.7% during the month and is now up 12.6% YTD. The recovery was largely expected given the recent sharp correction and the resulting attractive valuation levels. Turnover was flat compared to June with daily turnover averaging USD 1.61 billion, though it was skewed downwards by very low turnover during the first few days of the Holy Month of Ramadan.

Second quarter results were reported during the month and showed a 5.9% drop in aggregate earnings YoY. However, excluding petrochemical companies results – which were negatively affected by lower selling prices on the back of slower global economic activity – aggregate earnings showed strong growth rising 12.4% YoY. This underscores the health of the domestic economy despite global economic woes with most sectors including banks, retail, agriculture, telecom, industrial and real estate companies recording double digit earnings growth.

Saudi Arabia's Cabinet approved the long awaited mortgage law in early July. We expect the law to have a positive impact on companies in the real estate, building materials, and banking sectors over the medium term. Mortgages, which were recently introduced by banks in anticipation of the law approval, have been one of the key drivers for retail loan growth over the past 12 months but still constitute only 3.5% of the overall loans of the banking sector.

All sectors were up in July except cement, losing 1.2%. Agriculture & food was among the best performing sectors rallying 6.8% while banks and petrochemicals gained 1.7% each. The Investment Manager reduced exposure to retail and cement companies and increased exposure to banks and agriculture & food companies during the month while maintaining the Fund's high overall exposure level.

With the first half of 2012 in the books, the Investment Manager believes the market is well positioned for a strong performance in the second half on the back of strong local fundamentals, attractive valuation levels, and optimism regarding potential policy action to address global economic concerns.



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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**	3.7%	2.5%	1.2%
Year to Date	12.6%	7.2%	5.4%
2011	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	-23.5%	-29.9%	6.4%

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

** MTD figures reflect performance between June 30th, 2012 and July 31st, 2012

Fund Characteristics

No. of Holdings	25
Weighted Market Cap	SAR 47.8 billion
Dividend Yield*	2.9%
P/E Ratio 12	8.8x

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

Fund Metrics

	Saudi Fund	TASI
Volatility	24.9%	25.3%
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	9.2%
Al Rajhi Bank	Banks & Financial Services	7.6%
Samba Financial Group	Banks & Financial Services	5.9%
National Industrialization	Petrochemical Industries	5.4%
Banque Saudi Fransi	Banks & Financial Services	5.3%

Fund Data

NAV per Share	SAR 7.6525
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

