

Fund Manager's Strategy & Outlook

Light at the end of the Tunnel?

The Fund continued to outperform most of the regional markets despite the strong sell-off across the board. We continued to benefit from maintaining a core position in what we believe to be long-term value stocks with strong growth potential. The Fund shed 1.6% during the month with the NAV now standing at USD21.46 yet our strategy of selectively accumulating on the dips in anticipation of a reverse in direction, left the Fund well positioned to benefit from an end of month rally across most of the MENA region. Our equity exposure was at its maximum level by the end of the month which is a reflection of our positive outlook for the second half of this year.

The volatility levels of the GCC markets started to level off towards the end of the month accompanied by a mild improvement in investor sentiment. However, the markets' low turnover was a reflection of most investors still waiting on the sidelines for a strategic re-entry point.

Some of the non-GCC markets, most notably Morocco, which started this year very strongly, lost some of its momentum slipping another 2% this month and reducing its YTD gain to 27%. Fortunately, we had taken some "money off the table" over the past two months effectively locking in most of our gains and reducing our position to 3%. Other markets, such as Egypt, were negatively impacted by the overall emerging markets sell-off and the subsequent redemptions from foreign institutions triggered retail selling by local investors. Overall, we have increased our exposure to the Egyptian market as we believe the retail sell-off to have been exaggerated and select companies now to be trading at attractive valuation levels. We also believe that a bounce in the Egyptian market is overdue, following a year- -to-date market depreciation of over 20% and a 50% drop from its peak.

Looking ahead, we believe that the announcement of 2Q06 results may very well entice investors to re-enter the market, albeit cautiously, which may help overcome the traditional summer lull. With selective companies now trading at discounted multiples, even after factoring in expected portfolio losses, we're keeping our eyes wide open as we may just detect glimpses of light at the end of the tunnel...

Objective

The principal objective of the fund is long term capital appreciation through investing in listed Middle East and North Africa equities and equity related securities.

Fund Information

NAV per share	USD 21.46
Launch Date	July 2, 1999
Listing	Dubai Financial Market
Structure	Open Ended
Management fee	1.4%
Incentive fee	15% over benchmark
Benchmark	10%

Investment Information

Minimum Subscription	USD 10,000
Minimum Subsequent Subscription	USD 10,000
Subscription/Redemption	Monthly
ISIN	BMG294041030
Sedol	0-675-970
Reuters Code	EDRG
Bloomberg Ticker	EFGMEAF BH

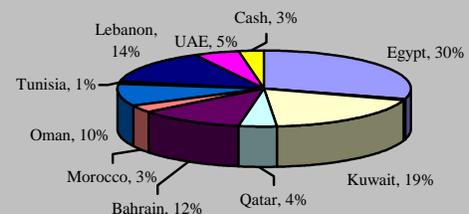
Fund Performance

Trailing Returns		Risk Overview	
YTD	-5.3%	No. Years ▲	5
MTD	-1.6%	No. Years ▼	2
3 Months	-7.3%	Best Year ▲	61%
1 Year	11.7%	Worst Year ▼	-23%

Top 3 Holdings

Holding	Country	% of NAV
Al Ahli United Bank	Bahrain	6.5
Orascom Telecom	Egypt	5.5
Public Warehousing	Kuwait	5.0

Equity Allocation By Country



ENQUIRIES: