



Fund Manager's Strategy & Outlook

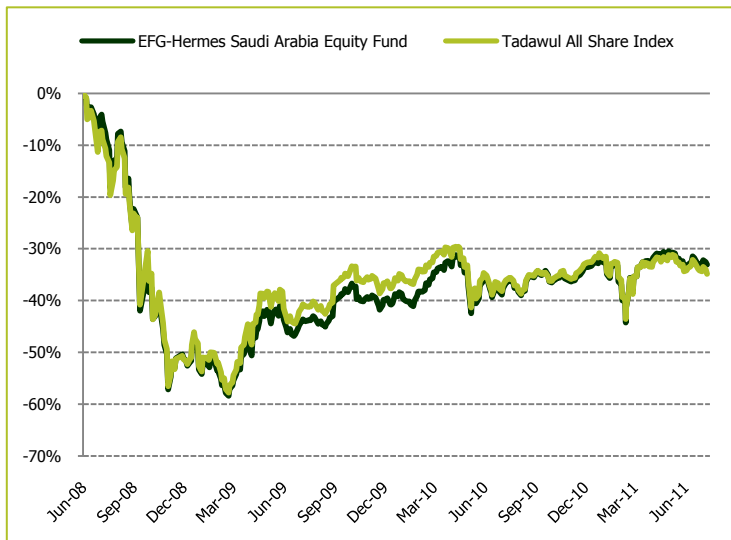
The Saudi market performance continued to be weak in July with the Tadawul All Share Index declining 2.8%. The Fund dropped 1.0% during the month for a YTD performance of 0.3% compared to -3.5% for the TASI index. The Saudi market weakness came in step with the weakness in global markets on the back of continued concerns about the economic recovery as well as sovereign debt issues in Europe and the US.

Second quarter results were strong overall with aggregate earnings up 18.5% QoQ and 29.0% YoY. Petrochemicals had the highest YoY earnings growth of 48.8%. Consumer companies also reported strong earnings growth with Telecom and Retail sectors' profits up 32.4% and 26.6% YoY respectively. Banks earnings continued to improve with Q2 profits higher by 15.1% YoY.

The latest SAMA banking data shows healthy private sector credit growth, with lending up 1% MoM in June, marginally below the 1.1% MoM growth seen in May. YTD credit growth now stands at 5.6% as of June end. Loan growth in Q2 was mainly driven by lending to the commerce, manufacturing & transport, and communication segments – an encouraging sign that reflects strength in the real economy.

All TASI sectors ended July in negative territory, with Building and Construction being the worst performer losing 7.4% on the back of disappointing Q2 results. Cement, agriculture, and petrochemical companies underperformed the index losing 5.7%, 4.4%, and 3.2% respectively. On the other hand, the Telecoms sector ended the month among the best performing sectors losing 0.6%. Banks also outperformed losing -1.0% in July. The Investment Manager reduced exposure to petrochemical companies and increased cash levels during the month.

Going into August, which coincides with the Holy month of Ramadan that normally sees a marked drop in trading volumes, the Saudi market should be influenced by any volatility in global markets on the back of economic recovery and sovereign debt concerns. The Investment Manager will look to benefit from any resulting price dislocations that offer attractive investment opportunities.



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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	-1.0%	-2.8%	1.8%
Year to Date	0.3%	-3.5%	3.8%
2010	12.7%	8.2%	4.5%
2009	22.4%	27.5%	-5.1%
2008*	-51.6%	-51.1%	-0.5%
Inception to Date	-33.1%	-34.9%	1.8%

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

Fund Characteristics

No. of Holdings	24
Weighted Market Cap	SAR 63.2 billion
Dividend Yield*	2.5%
P/E Ratio 11	11.6x

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

Fund Metrics

	Saudi Fund	TASI
Volatility	26.6%	27.0%
Beta *	0.97	-

*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	10.2%
Etihad Etisalat	Telecom & IT	8.2%
Banque Saudi Faransi	Banks & Financial Services	6.3%
Samba Financial Group	Banks & Financial Services	6.2%

Fund Data

NAV per Share	SAR 6.6934
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

