



### Fund Manager's Strategy & Outlook

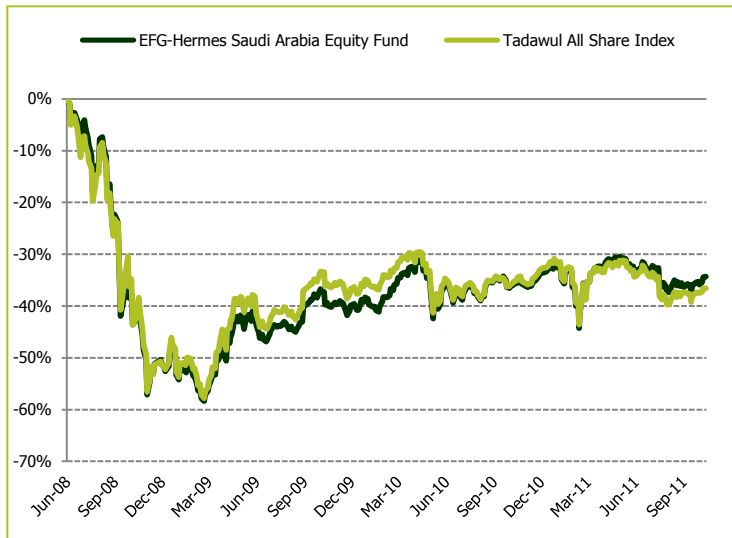
The Saudi market continued its rally in October with the Tadawul All Share Index gaining 1.8%. The Fund gained 2.6% during the month for a YTD performance of -1.6% compared to -6.0% for the TASI index. The market rallied towards the end of the month on the back of optimism regarding a potential European debt crisis resolution post the Eurozone summit and a stronger than expected GDP growth figure in the US.

Third quarter results have set another quarterly earnings record for the Saudi market, with aggregate profits totaling SAR 26.1 Bn. As expected, petrochemicals reported strong YoY earnings growth of 66.4% on the back of higher oil prices, and banks YoY earnings growth came in at 29.3% due to lower provisions and a pick-up in lending growth. Retail companies also reported strong YoY earnings growth of 21.4%.

Crown Prince Sultan bin Abdulaziz Al Saud, Saudi Arabia's deputy prime minister and minister of defense and aviation, passed away in October after a long illness. Prince Nayef bin Abdulaziz, second deputy prime minister and minister of interior was appointed Crown Prince. The succession witnessed the activation of the Allegiance Council, which was set up by King Abdullah a few years ago to structure and smoothen the selection process. Prince Salman bin Abdulaziz, Governor of Riyadh, was later named defense minister.

The retail sector, the fund's top overweight, was among the best performing sectors in October rising 10.4%. Petrochemicals outperformed the market rising 2.4% while the banking sector's performance was in line with the market at 1.8%. On the other hand, the telecom sector was the worst performer, losing 3.0% on the back of lower than expected earnings. The Investment Manager booked profits in retail and petrochemical companies, and increased exposure to banks, food, and cement companies.

The market regulator is currently in serious discussions with banks to prepare for the potential introduction of direct access of foreigners to the Saudi market based on the QFI model as early as 1Q2012. The Investment Manager believes that this major development, in addition to record earnings in the third quarter and a recovering banking sector bode well for a strong market performance over the medium term.



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**   | 2.6%       | 1.8%   | 0.8%       |
| Year to Date      | -1.6%      | -6.0%  | 4.4%       |
| 2010              | 12.7%      | 8.2%   | 4.5%       |
| 2009              | 22.4%      | 27.5%  | -5.1%      |
| 2008*             | -51.6%     | -51.1% | -0.5%      |
| Inception to Date | -34.3%     | -36.6% | 2.3%       |

\*Fund's inception date was June 17<sup>th</sup>, 2008

\*\* MTD figures reflect performance between September 30<sup>th</sup>, 2011 and October 31<sup>st</sup>, 2011

### Fund Characteristics

|                     |                 |
|---------------------|-----------------|
| No. of Holdings     | 25              |
| Weighted Market Cap | SAR 60.8billion |
| Dividend Yield*     | 2.5%            |
| P/E Ratio 11        | 11.2x           |

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

### Fund Metrics

|            | Saudi Fund | TASI  |
|------------|------------|-------|
| Volatility | 25.8%      | 26.3% |
| Beta *     | 0.97       | -     |

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

### Top Five Equity Holdings

| Holding               | Sector                     | % of NAV |
|-----------------------|----------------------------|----------|
| Al Rajhi Bank         | Banks & Financial Services | 10.8%    |
| SABIC                 | Petrochemical Industries   | 10.8%    |
| Etihad Etisalat       | Telecom & IT               | 8.0%     |
| Samba Financial Group | Banks & Financial Services | 7.1%     |
| Banque Saudi Faransi  | Banks & Financial Services | 6.1%     |

### Fund Data

|                           |               |
|---------------------------|---------------|
| NAV per Share             | SAR 6.5656    |
| 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

