



Fund Manager's Strategy & Outlook

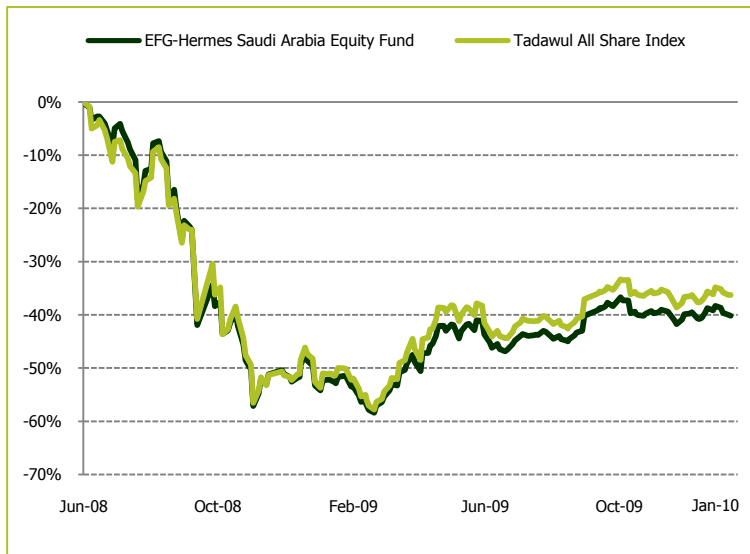
The Saudi Arabian market started the year positively with the TASI rising 2.1% in January while the EFG-Hermes Saudi Arabia Equity Fund gained 1.1% over the same period.

In the month of January, the Saudi Fund for Development earmarked more funds to promote non-oil exports. These funds are being used to diversify away from the Kingdom's dependence on oil exports which declined in 2009 due to decreased production and a lower average price than 2008.

In the banking sector, the Saudi Arabian Monetary Agency announced that they anticipate leaving interest rates steady until economic growth is stronger. Released Q4 2009 results from Saudi banks show profitability has declined on the back of loan provisions. However, the majority of provisions should have now been taken by Saudi banks, and we expect lower provisions and improved profitability in the coming quarters.

The Saudi mortgage law which is soon expected to come into effect should provide a positive boost to the real estate market, as many Saudis still do not own their residences due to the difficulty in securing home financing. The benefits from the mortgage law should be reflected by companies within the real estate, building and construction, cement, and banking sectors as there is still a supply shortage in the Saudi housing market. We expect that listed companies in these sectors with greater access to financing will be the biggest benefactors. Furthermore, the draft version of the law provides guidelines for the foreclosure on properties in default which lends comfort to the rights of lenders.

The macro environment in the Kingdom continues to improve on the back of infrastructure spending and consumption demand. We expect this outlook to benefit selective companies in related sectors. We also believe that petrochemical companies in the Kingdom will be primary beneficiaries of improving global economic conditions in the months to come.



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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	1.1%	2.1%	-1.0%
2009	22.4%	27.5%	-5.1%
2008 *	-51.6%	-51.1%	-0.5%
Inception to Date	-40.1%	-36.3%	-3.5%

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

Fund Characteristics

No. of Holdings	29
Weighted Market Cap	SAR 59.0 billion
Dividend Yield	1.5%
P/E Ratio 10	13.1x

Fund Metrics

	Saudi Fund	TASI
Volatility	32.3%	33.8%
Beta *	0.9	-

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

Top Five Equity Holdings

Holding	Sector	% of NAV
SABIC	Petrochemicals	12.3%
Al Rajhi Bank	Banks & Financial Services	10.3%
Samba Financial Group	Banks & Financial Services	5.7%
Etihad Etisalat	Telecom & IT	5.5%
Othaim Markets	Retail	4.5%

Fund Data

NAV per Share	SAR 5.9847
Management Fee	2%
Minimum Subscription	SAR 50,000
Subscription / Redemption	Twice Weekly

Fund Identifiers

Bloomberg Ticker	EFGSAUD AB
Reuters Code	LP65122906

Allocation by Economic Sector

