



Fund Manager's Strategy & Outlook

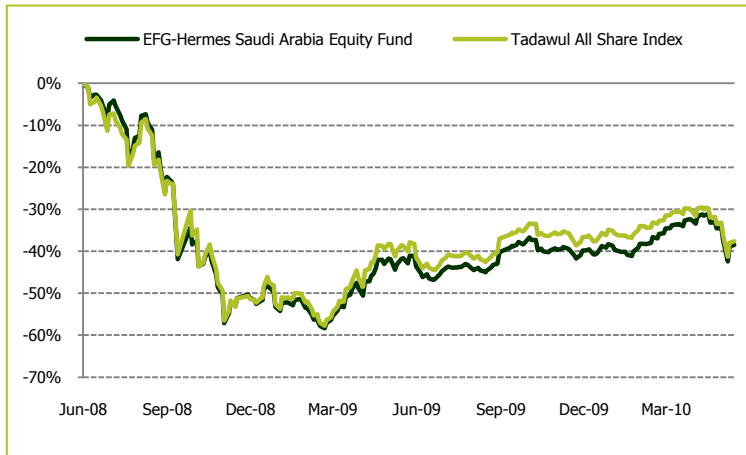
Turmoil in global markets contributed to indiscriminate selling in the Saudi Arabian Market. The EFG-Hermes Saudi Arabia Equity Fund lost 10.1% in May bringing its 2010 performance to 3.9%. The Tadawul All Share Index (TASI) dropped 10.9% during the month making its YTD performance flat.

Despite positive announcements and solid economic fundamentals in the Kingdom, companies in all sectors of the Saudi market declined significantly. Contagion from the European sovereign debt crisis and fears about the sustainability of the global economic recovery drove commodity prices lower in May. With oil closing at a low of USD67 per barrel during the month, investors sold positions indiscriminately. Names in the petrochemical space suffered relatively more in the sell-off after rallying significantly in April.

While investor fears were translated into negative market performance, oil prices above the USD60 per barrel level are comfortable for Saudi Arabia to continue with its ambitious spending program. The Saudi Finance Minister, Ibrahim Alassaf, said he was not concerned about the decline in oil prices and vowed government spending would continue as planned. Also in the month's headlines, the first license for off-plan real estate sales was awarded, and an announcement was made authorizing foreign ownership of land in Saudi economic cities. Both events could serve as positive catalysts for the real estate and building materials related sectors in the medium-term.

The Investment Manager took advantage of the market sell-off to build positions in selective petrochemical and building materials companies. We believe that any potential slowdown in the petrochemical space would be short-lived given the relatively positive economic news coming from the principle drivers of demand, China and the U.S. Saudi producers also continue to enjoy strong cost advantages and higher production volumes on the back of capacity expansions. In addition, the government's pledge to maintain aggressive spending levels and an accommodative monetary policy should support companies with exposure to local infrastructure projects.

Following the recent correction, the Investment Manger believes the Saudi market is well-positioned for a rebound as we head into the Q2 2010 earnings season. The macroeconomic fundamentals in the Kingdom remain intact and companies are well poised to realize earnings growth in the medium-term.



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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	-10.1%	-10.9%	0.8%
Year to Date	3.9%	0.0%	3.9%
2009	22.4%	27.5%	-5.1%
2008 *	-51.6%	-51.1%	-0.5%
Inception to Date	-38.5%	-37.6%	-0.9%

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

Fund Characteristics

No. of Holdings	36
Weighted Market Cap	SAR 61.4 billion
Dividend Yield	2.3%
P/E Ratio 10	13.6x

Fund Metrics

	Saudi Fund	TASI
Volatility	31.1%	32.1%
Beta *	0.96	-

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

Top Five Equity Holdings

Holding	Sector	% of NAV
SABIC	Petrochemicals	12.7%
Al Rajhi Bank	Banks & Financial Services	10.3%
Samba Financial Group	Banks & Financial Services	6.3%
Etihad Etisalat	Telecom & IT	5.0%
Riyadh Bank	Banks & Financial Services	4.2%

Fund Data

NAV per Share	SAR 6.1511
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

