

Fund Manager's Strategy & Outlook

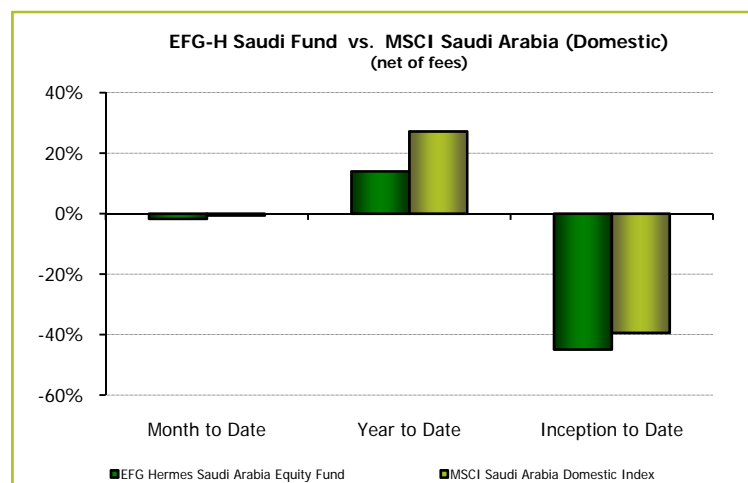
The Saudi Fund lost 1.7% over the past month versus the TASI which lost 2.0% and the MSCI Saudi Arabia Domestic index which lost 0.6%. The market traded sideways over the past period partly due to lower activity with the beginning of the Holy Month of Ramadan.

The Investment Manager increased exposure to the banking sector as we believe the majority of bad news has already been priced into the sector and is poised to recover over the short to medium term. Credit growth remains weak, but the banking sector appears increasingly liquid and well-placed to resume lending. July figures show that lending to the private sector has increased month on month for a second consecutive month as banks become more comfortable lending post their reviews on risk and compliance procedures. The Investment Manager continues to underweight the sector pending Q3 results that should provide more color on the sector's situation and outlook.

The cement sector continues to positively perform on the back of the lifting of the export ban and increased local activity. As construction prices continue to decline, Saudi Arabia is poised to see solid growth in the construction sector in Q4 of this year, which should further boost demand for cement and other building materials.

Overall business optimism is increasing in the Kingdom with the latest figures showing that 80% of small businesses are looking at maintaining or increasing their capital expenditure in the coming 12 months. Inflation in the Kingdom has fallen to a two-year low of 4.2%, which will also help drive consumer demand.

The market will be closed from 19 – 23 September, but we expect volumes to subsequently recover as we enter Q4. The Investment Manager will continue to reposition the Fund and increase exposure in the post-Eid period as market activity strengthens.



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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

Returns	EFG-Hermes Saudi Fund	MSCI Saudi Arabia Domestic Index	Difference
Month to Date	-1.7%	-0.6%	-1.1%
Year to Date	14.0%	27.2%	-13.2%
2008 *	-51.6%	-52.4%	0.8%
Inception to Date	-44.9%	-39.4%	-5.5%

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

Fund Information

NAV per share	SAR 5.5139
Launch Date	17 June, 2008
Structure	Open Ended
Management fee	2%
Minimum Subscription	SAR 50,000
Subscription/Redemption	Twice Weekly

Fund Identifiers

Bloomberg Ticker	EFGSAUD AB
Reuters Code	LP65122906

Fund Characteristics

No. of Holdings	34
P/E Ratio 09	11.7x

Top 5 Holdings

Holding	Sector	Holding %
Al Rajhi	Banks & Financial Services	11.2%
SABIC	Petrochemicals	10.7%
Saudi Telecom Company	Telecom & IT	5.6%
Samba Financial Group	Banks & Financial Services	4.6%
Yansab	Petrochemicals	4.6%

Fund Sector Allocation

