

Fund Objective

The Fund seeks long-term capital appreciation through investing in listed Middle East and North African equity markets.

Strategy

Current conditions characterized by market shocks and freezing demand left the market with limited purchasing power due to investor psychology. No willingness to invest has been mistaken for lack of liquidity. Once new world order is in place; market demand and prices stabilization to new norms; allowing for clearer budgeting, investors will part with their liquidity and begin investing.

Liquidity in the MENA region is to be fuelled by governments' wealth; accumulated oil revenues in excess of USD 1 trillion, future cumulative 2009 and 2010 oil revenues estimated to reach USD 900 bn and sovereign wealth funds reaching USD 1.8 trillion. A further driver of liquidity is investor wealth; high regional funds' cash exposures reaching 7 times their historical average and positive net inflows into emerging funds reaching USD 2.5 bn YTD. Combined government and investor wealth are expected to be the main drivers of liquidity in the region.

Throughout the second half of 2008, the fund has been maintaining a cash exposure of 30%, recently increased to more than 35% and is expected to be maintained due to the markets' inherent lack of visibility on both the macro and corporate fronts. The fund manager will diversify investments into fixed income instruments to enhance the cash yield as the low interest rate environment has been yielding less than 1%.

Going forward, the fund manager believes equity market interest will be recaptured once the investors have a better understanding of the new world order, triggering investors to part with their liquidity.

Markets Commentary

On the international front, negative news continued to batter stock markets, with the MSCI World Index, the S&P 500 and the FTSE ending the month with a decline of 10%, 11% and 8% respectively. Oil bucked the trend with an impressive 7% gain. Negative global markets performance contrasted with positive oil performance led MENA markets to end the month on a mixed note with this month's top performer being Morocco, recording gains of 9.7%, followed by Abu Dhabi, Dubai, Tunisia and Oman appreciating 5.3%, 2.5%, 2.4% and 0.8% respectively. Unexpected news from the federal UAE government bode well for both the Abu Dhabi and Dubai markets. During February, the government of Dubai announced a USD 20 bn bond program, the first tranche of which (representing 50% of the total bond issue value) was fully subscribed to by the UAE central bank. The program proved to be an unequivocal statement of support from the UAE federal government to Dubai.

At the other end of the spectrum, Qatar topped the list of decliners recording a loss of 15.5%, followed by Egypt, KSA and Kuwait recording losses of 7.2%, 5.5% and 4.7% respectively. Qatar, being one of the least decliners in 2008, remains to be heavily penalized amongst the GCC countries, its year to date performance stands at a 36% decline vs. the MSCI GCC index of -18%. Despite the continuing losses in the Qatari market, we believe in the fundamentals of the country as it exhibits the highest GDP growth in the MENA region of 9% estimated in 2009 with government concentrating on diversifying GDP.

Egypt also being one of the highly penalized markets, reported GDP growth of 4.1% in 4Q of 2008 compared to 5.8% a quarter earlier while inflation contracted to 14.4% in January. Market 2009 GDP consensus was revised downwards by 33%. As a measure to stimulate the economy, the Monetary Policy Committee (MPC) lowered the corridor rates by 100bps reaching 10.5% and 12.0% respectively, and the Minister of Finance announced plans to double the previously announced stimulus package to reach EGP 30bn.

Note: Country performances are calculated based on respective country indices

Overview

The MENA fund recorded a loss of 3.4%.

The portfolio's top positive contributor this month has been the UAE with Arabtec topping the list of gainers, achieving 32% returns. Arabtec published strong financial results in Q4 2008. Revenues and net profit grew 137% and 3.1% in Q4 2008 compared to Q4 2007, respectively. With Arabtec aiming to penetrate the Saudi Arabian construction market through its newly created joint venture with Saudi Bin Laden Group, we are confident that Arabtec will continue to expand its AED 38.5 billion backlog via project awards in Saudi Arabia's USD 950 billion construction market.

Fund Performance

Period	Beltone MENA Fund
Feb-09	-3.4%
YTD	-11.9%
2008	-47.1%
Since Inception	-46.5%

Fund Information

NAV per Share	5.35
Launch Date	October, 2007
Listing	ISE
Structure	Open ended
Subscription / Redemption	Monthly
Minimum Subscription	USD 10,000 with no further min. on subscriptions thereafter
Management Fees	1.75% of NAV accrued daily and paid monthly
Performance Fees	15% above a hurdle rate of 10% subject to a high watermark in the relevant performance period accrued monthly and paid yearly

Fund Characteristics

No. of Holdings	39
PE 09*	6.9
Earnings Growth 09 (%)*	13.0
Dividend Yield 09 (%)*	6.2
MCAP (USD bn)*	4.2

* Weighted average calculation excludes cash position

Top 5 Holdings

Company	Country	% Assets
Saudi Cables	KSA	3.0%
Qatar Navigation	Qatar	3.0%
Qatar Telecom	Qatar	2.8%
Al Maraii Company	KSA	2.7%
Etihad Etisalat	KSA	2.6%
Total		14.1%

Note: As of 28.02.2009

Country & Sector Allocation

