

## Fund Objective

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

## Markets Commentary and Investment Outlook

Earnings season kicks in! UAE market was again the top performer this month, with Dubai and Abu Dhabi both outperforming the S&P Pan Arab index ending the month up 5.3% and 4.8% respectively, while the index ended up 0.95%. Morocco, Qatar, Jordan, Oman, Bahrain and Kuwait also ended up in the green and outperformed the index increasing 1.3%, 1.3%, 1.2%, 1.2% and 1.1% respectively. Egypt was flat at 0.5%, while KSA, Lebanon, Palestine and Tunis ended in the red losing 0.6%, 1.4%, 2.2% and 9.8% respectively.\*

Saudi Arabia was the first market to start reporting third quarter earnings. Overall results were inline with expectations. Banks were in focus as SAMA (the Saudi banking sector regulator) ordered banks to increase provisioning to 100% of non-performing loans. Hence, extra provisioning weighed on the entire banking sectors' results. Our banking holdings, Rajhi and Samba, having the best NPL coverage, were the least hit by the new regulation. Talking to the banks and the sell-side banking analysts, it was clear that SAMA's new regulation stems from the need to be extra conservative rather than anticipation of new defaults.

Moreover, the petchem sector saw some company specific issues related to shutdowns or one-off items which resulted in earnings missing expectations. However, the chemical giant SABIC, the Fund's largest holding, reported a strong set of third quarter results as volumes and prices were supported by recovering demand in Asia and higher commodity prices. Consumers on the other hand, saw a very strong quarter supported by the high spending season of Ramadan and Eid. Hence, the market saw a weak start of the month post the banks and petchem results, however, SABIC's results spurred an upward move supported by strength in global demand and rising commodity prices.

The risk trade continued in UAE as the smaller caps and laggards were the stars this month. Both markets continue to witness higher volumes. There were also some quarter earnings reported throughout October. Banks' operational results were mostly inline, while provisions continued to weigh on bottom line. Emaar's deliveries were slightly delayed, which affected revenues and margins, while DP World's results were inline. Both stocks are among the most heavily traded stocks in UAE.

Qatar's banking sector reported overall strong results, with only Qatar National Bank, the Fund's holding, reporting strong operational performance, while CBQ and Doha's earnings were supported by lower than expected provisions. Industries Qatar, the Fund's holding, reported strong results and beat expectations on better than expected steel margins and petrochemical volumes. The outlook on Qatar remains extremely positive as the IMF released updated estimates for the country's non-hydrocarbon GDP forecasting a record double-digit growth in the medium term. The 2Q2010 GDP figures also rose 20.4% Y-o-Y, while the Central Bank expects GDP growth to reach 18.5% in 2010 up from 9.7% in 2009. All the above confirms the investment manager's decision to stay overweight Qatar.

Tunis witnessed a sharp drop this month, contrary to its outstanding performance since the beginning of the year. The pressure was driven by the announcement of a new finance law project that requires investors to pay a 10% tax on market gains for stocks held for less than one year. Although the law is still subject to Senate approval, it was taken very negatively by investors and spurred the downward trend. Good banking results did not manage to lift the market despite recording double digit growth. The investment manager still believes market valuations and stocks liquidity to be the main reasons to stay underweight the country.

The investment manager maintained equity exposure in the 90% range, where the focus on stock selection is proving to be the ultimate strategy.

\*Performance of the S&P Index is compared with the performance of the relevant countries' local indices.

## Fund Performance

Period	Beltone MENA	S&P Pan Arab
October	1.38%	0.95%
YTD	11.25%	10.95%
2008	-47.1%	-49.8%
2009	9.7%	18.2%
SI	-27.72%	-23.6%

## Fund Information

NAV per Share	7.41
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

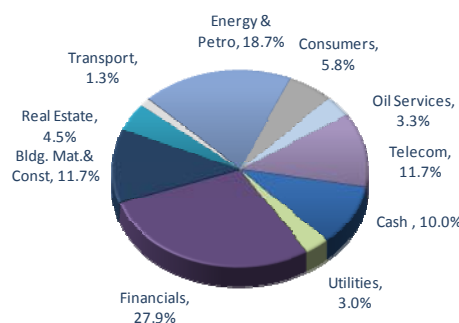
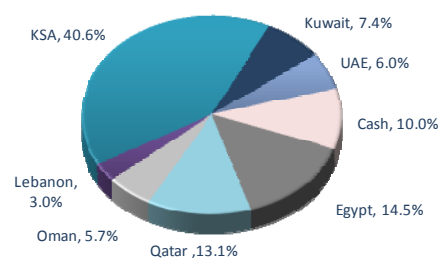
No. of Holdings	29
PE 10e*	11.7x
Earnings Growth 10e (%)*	90.4%
Dividend Yield 10e (%)*	3.1%
MCAP (USD bn)*	15.7

\* Weighted average calculation excludes cash position

Company	Country	% Assets
SABIC	KSA	9.8%
Al Rajhi Bank	KSA	7.7%
QNB	Qatar	4.0%
OCI	Egypt	4.0%
Mobily	KSA	3.9%
Total		29.4%

Note: As of October 31<sup>st</sup>, 2010

## Country & Sector Allocation



Note: As of October 31<sup>st</sup>, 2010