

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

While sluggish G7 recovery and rising concerns in the sovereign market contributed to a challenging year for global investors, a more encouraging picture began to emerge for MENA equities. Supported by a recovery in oil prices and a subsequent second half acceleration in regional stimulus spending, our markets took further positive direction from the favorable resolution of several higher profile corporate restructuring, including Nakheel and Al Gosaibi. This latter feature lead to an increased level of interest in high yield credit exposures, as investors moved to play a solvency recovery. While underlying liquidity in equity markets remains restrained, we note both the reopening of the IPO window and the increasing breadth and depth of demand that these new issues are attracting. We remain bullish on the region.

Perhaps most encouraging for regional equity investors has been the formation of an M&A story in the region. A superior macro story with regional GDP growth exceeding the global peer group in 2010 has been reflected in improving corporate activity levels, leading to several positive earnings surprises in the year. Later in the year, the region's positive corporate story saw a first high profile M&A transaction announced between Zain and Etisalat; we were encouraged to see a Kuwaiti court reject a lawsuit seeking to derail this transaction. We see further bid candidates across the region.

Stock selection remained a key driver of performance for the Fund, helped by a smaller contribution from our country allocations. Most of this divergence is explained by our underweight position in Saudi Arabia, where our stock selection delivered a 6.7% return versus a country allocation return of 0.2% in the fourth quarter. Our position in Saudi was further helped later in the quarter by the announcement of a bullish budget for the Kingdom; using our oil price expectations, we believe the Saudis could achieve a SAR 99.8 bn primary surplus, leaving the Kingdom free to accelerate the 5 year development plan.

Elsewhere, the Fund continues to benefit from a large overweight position in Qatar, where we maintain a 1.5x overweight versus the S&P Pan Arab Index. Our country allocation here contributed 48 bp of outperformance, as the Fund was able to generate 15.6% return for the quarter. In Qatar, we were again helped by strong macro performance, where the government reported a QR 46.6 billion primary surplus versus the previous year's QR 18.7 bn. We believe this fiscal surplus to equate to 12% of GDP, but note that it may understate the true position in the Emirate, as much gas revenue goes directly to the country's sovereign wealth funds.

Oman, though a small country, made a positive impact in the fourth quarter. We took a constructive view on the country, reflected in a 2x overweight position. Our stocks subsequently delivered a 22% return, easily eclipsing the index' 6% return.

Throughout 2010, the investment manager maintained equity exposure between 85% and 95%, and expect to maintain core strategy into the first quarter. We remain positive on the region, as the key performance drivers; oil, earnings improvement, global recovery, remain intact. Subsequently, we hope to see positive contribution from our relative overweight in the petchem space.

Fund Performance

Period	Beltone MENA	S&P Pan Arab
December	3.9%	4.6%
2010	16.8%	15.3%
2009	9.7%	18.2%
2008	-47.1%	-49.8%
SI	-24.10%	-20.62%

Fund Information

NAV per Share	7.78
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

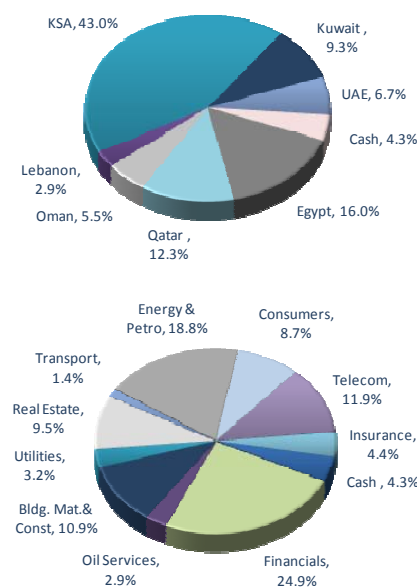
No. of Holdings	31
PE 10e*	12.6x
Earnings Growth 10e (%)*	235.4%
Dividend Yield 10e (%)*	2.9%
MCAP (USD bn)*	15.5

* Weighted average calculation excludes cash position

Company	Country	% Assets
SABIC	KSA	9.2%
Al Rajhi Bank	KSA	7.9%
Amer Group	Egypt	4.4%
Samba	KSA	4.1%
Mobily	KSA	4.0%
Total		29.6%

Note: As of December 31st, 2010

Country & Sector Allocation



Note: As of December 31st, 2010