



Beltone MENA Equity Fund

Fact Sheet for January 2008

Fund Objective

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

Markets Commentary

During the month of January, global stock markets witnessed a sell-off due to fears that the global economy is slowing down. The economic fears were rooted from the continued weak US economic data, trickling down to global markets. By the 22nd of January, the S&P500 had shed a significant 10.8% since the beginning of the year, with similar losses witnessed across the global markets, causing the Federal Reserve to announce an emergency rate cut of 75 bps, bringing the Federal rate down to 3.5%. The emergency rate cut was the largest witnessed since 1995, with the expectation that the unexpected rate cut will break the negative feedback loop between the real economy and the financial sector.

With the market's focus being on what the Federal Reserve will do next, for their official meeting on January 31st, the Federal Reserve did not disappoint and cut rates by a further 50 bps. As such, the Federal Reserve rate cuts have restored confidence for global equity investors in the short term but the US economic backdrop still remains gloomy with deeper housing contraction and softening in the labor market.

In anticipation of a global slowdown, regional markets witnessed a heavy sell off in the capital market front, from both western institutions and local investors. The KSA market led the downturn, dropping by a significant 13.4%, followed by Dubai, Egypt, Qatar and Tunisia dropping by 5.3%, 2.2%, 1.0% and 0.4% respectively. On the other hand, Morocco, Kuwait, Bahrain, Oman and Abu Dhabi landed in the green achieving 8.8%, 7.5%, 1.7%, 1.5%, and 0.4% respectively.

In our view, fears of a negative oil outlook contributing to the negative sentiment witnessed in the regional markets are not substantiated. A positive oil outlook in 2008 is supported by an increase in demand from emerging Asia, low OECD inventories, limited refining capacities and limited increase in non OPEC production, which is expected to maintain average oil prices at higher levels and with GCC government budgets at USD 45, we believe liquidity is to remain in the region.

Fund Overview and Strategy

The MENA fund dropped 5.7% led by the KSA market.

During the month of January, we lowered our exposure to the Saudi market in anticipation of a further drop, and in turn increased our exposure to the Kuwaiti market which was one of the sole positive contributors to the fund.

The main contributor to the Fund's performance during the month of January was the Kuwait banking sector. Leading the positive performers is Kuwait Finance House which gained a good 13% on the back of strong earnings growth of 70% in 2007. The second best performer, Gulf Bank, rose 13% driven by a growth in earnings of 23% in 2007.

The region's fundamentals, despite a slowing US economy, are positive and are expected to be the least affected in global markets. We believe the negative sentiment will be reversed on the back of continuing positive double digit corporate earnings growth in the region, therefore we maintain a high exposure to the market.

Fund Performance

Returns	Beltone MENA Fund
October	2.5%
November	2.4%
December	9.3%
January	-5.7%
Since Inception	8.2%

Fund Information

NAV per Share	10.82
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

Top 5 Holdings

Company	Country	% Assets
SABIC	Saudi Arabia	10.8%
Al Rajhi Bank	Saudi Arabia	5.5%
STC	Saudi Arabia	4.1%
SAFCO	Saudi Arabia	4.1%
SAMBA	Saudi Arabia	3.2%
Total		27.7%

Country Allocation

