

## Fund Objective

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

## Strategy

Continuing volatility and uncertainty exacerbated by the huge drop in the price of oil has driven the investment manager to maintain the fund's cash exposure at high levels, which is expected to continue until regional volatility subsides.

Using a relative comparison investment strategy, the MENA region stands out as better positioned than other regions, favored with the availability of resources, strong current account and budget surpluses, and attractive demographics. Nonetheless, the global slowdown will have a negative impact on the region.

## Markets commentary

Even though the predominant issues in the MENA region, namely the drop in oil prices and the banking sector's liquidity crunch, were the main reasons behind the meltdown in the markets, several measures were taken to contain their effects.

The drop in oil prices, from \$147 to \$60, can be mainly attributed to negative market psychology rather than the forecasts for supply and demand. On the supply side, OPEC's orchestrated supply cuts, higher financing costs and disruptions will hinder capacities thus decreasing supply. Furthermore, demand for oil is expected to rise due to the MENA region's development of infrastructure projects, continuing oil imports from China and the replenishment of inventories that are currently below the five-year average.

In an attempt to ease the liquidity crunch, which poses a threat to the anticipated growth in the region, central banks injected capital into the banking system, guaranteed deposits, announced their intentions to buy stakes in distressed banks, and reduced reserve requirements. With utilizations rates above 100% in certain countries, banks are highly dependant on various sources of funding to finance projects. Measures taken by central banks will thus subdue concerns of a funding slow down.

Fears of a global recession, the affect of lower oil prices on GCC economies, and banks' illiquidity took a toll on investor sentiment in the region. The month of October extended losses of regional indices, with all markets closing in the red, recording the largest drops witnessed in one month during this year. Egypt tops the list of decliners, falling by 32.7% followed by Dubai, Oman, Saudi Arabia, Qatar, Kuwait, Jordan, Abu Dhabi, Bahrain, Tunisia and Morocco dropping 28.7%, 26.9%, 25.8%, 25.6%, 23.8%, 22.0%, 15.9%, 9.9%, 8.8% and 6.5% respectively.

*Note: Country performances are calculated based on respective country indices*

## Overview

The Fund recorded a loss of 25% recorded across all markets. The fund's high cash exposure has attributed positively to the overall performance.

The investment manager believes the crisis will be short-lived due to the efficient and collective global policy activism coupled with the availability of sophisticated information.

## Performance Chart



## Fund Performance

Period	Beltone MENA Fund
MTD	-26.3%
YTD	-39.2%
Since Inception	-30.2%

## Fund Information

NAV per Share	6.98
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	46
PE 09*	6.2
Earnings Growth 09 (%)*	30.0
Standard Deviation (%)	9.9
MCAP (USD bn)*	7.1

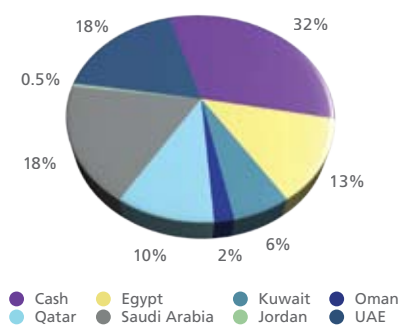
\* Weighted average calculation excludes cash position

## Top 5 Holdings

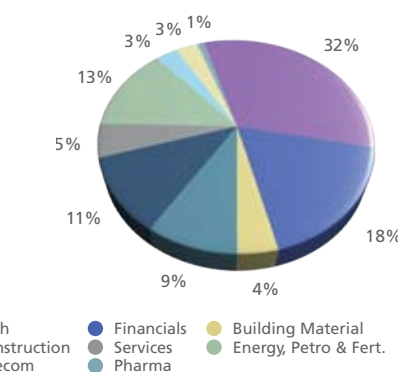
Company	Country	% Assets
Al Dar	UAE	3.6%
Qatar Navigation	Qatar	3.4%
OCI	Egypt	3.3%
Arabtec	UAE	3.2%
Al Rajhi Bank	KSA	3.2%
<b>Total</b>		<b>16.7%</b>

Note: As of 31st October 2008

## Country & Sector Allocation



Legend: Cash (purple), Egypt (yellow), Kuwait (teal), Oman (dark blue), Qatar (light blue), Saudi Arabia (grey), Jordan (green), UAE (dark blue)



Legend: Cash (purple), Financials (blue), Building Material (yellow), Real Estate (teal), Construction Services (grey), Energy, Petro & Fert. (green), Telecom (light blue), Pharma (dark blue)