

Fund Objective

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

Strategy

Our strategy over the short to medium term is defensive, maintaining low equities exposure at 70% until global stock markets hit bottom and volatility subsides. Our stock selection focus will be on utilities, infrastructure and high dividend yields.

Markets Commentary

December marked the end of a year that can only be defined as tough and bear-stricken. A reshaping of the financial industry and shift in cycles were the main highlights of the year.

On a regional front, the global credit crisis triggered a slowdown in the oil, petrochemicals and real estate sectors, which were once the engines of growth in the region. Oil prices dropped from a high of USD 146/ barrel reaching levels below the USD 40/barrel mark, bringing the average of 2008 to USD 95. In anticipation of a continuing slowdown in global economies, oil price estimates have been revised down from USD 75/barrel to USD 52/barrel, causing a heightened concern about the growth story in the MENA region in 2009.

Governments, like Saudi Arabia and Qatar, in a reassuring move stated that infrastructure spending will continue as planned.

The increase in oil prices over the last three years has accumulated significant wealth in the GCC estimated to be over USD 970 bn in oil profits, enabling the governments to support their infrastructure plans and economic growth. Saudi Arabia witnessed a record budget surplus of USD 157 bn in 2008 post a 71% increase in oil revenues. On another positive note, the costs of the infrastructure projects have dropped significantly with the shift in the commodities cycle, hence governments should benefit given the strategic timing of the investments.

The month ended with mixed investor sentiment with Qatar, Egypt and Saudi Arabia landing in the green gaining 13.4%, 9.3% and 1.4% respectively. At the other end, Dubai topped the list of decliners dropping 16.7% followed by Abu Dhabi, Oman Kuwait, Tunisia, Morocco and Jordan dropping 13.9%, 13.1%, 12.3%, 2.2%, 2.1% and 0.3% respectively.

Note: Country performances are calculated based on respective country indices

Overview

The MENA fund, ending -1.8%, recorded losses of 47.1% in 2008.

During the month, in continuation of the investment strategy, commodity related stocks have been reduced including petrochemicals and fertilizers. A significant reduction in UAE real estate stocks was executed in concerns of the slowdown in real estate demand. On the other hand, believing in the strong domestic demand story in the MENA region, the fund increased its exposure to the consumer staples sector.

The MENA region being characterized by its low leverage, the ability of their governments to invest their accumulated wealth to sustain growth and their attractive demographics will positively differentiate the region.

Fund Performance

Period	Beltone MENA Fund
Dec-08	-1.8%
2008	-47.1%
Since Inception	-39.3%

Fund Information

NAV per Share	6.07
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	43
PE 09*	6.4
Earnings Growth 09 (%)*	9.2%
MCAP (USD bn)*	4.9

* Weighted average calculation excludes cash position

Top 5 Holdings

Company	Country	% Assets
Qatar Navigation	Qatar	3.2%
Saudi Cables	KSA	3.2%
Qatar Telecom	Qatar	2.9%
Oman Cables	Oman	2.5%
Orascom Construction	Egypt	2.5%
Total		14.3%

Note: As of 31.12.2008

Country & Sector Allocation

