

## 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

Led by the continued reassurance of improved investor sentiment coupled with a higher risk appetite, the month of May was another positive month for both global and regional markets; with some markets playing catch up, while others were extending their rallies or consolidating. Playing catch up was Qatar, this month's best performer up 24.6%, followed by Dubai, Lebanon, Kuwait, Oman, and Abu Dhabi and gaining 17.0%, 8.5%, 7.8%, 7.2%, and 6.1%, respectively. Egypt saw itself extending its rally, gaining an additional 14.2% during the month, making it the best performing market in the region on a year to date basis. Lastly, the consolidator was the KSA gaining 4.8%, while the laggards were Jordan, Bahrain, Morocco, and Tunisia gaining 4.8%, 4.7%, 1.6%, 9.8%, and 0.5%, respectively.

The Fund's three overweight positions bode well this month. Qatar, the region's best performer and amongst the most resilient economies in the region, was oversold throughout the first two months and began its rise since March 9th with the government announcement to purchase local banks' investment portfolios. This month, the Qatari government announced its intention to purchase up to USD 4bn of the commercial banks' real estate portfolios, further demonstrating the government's willingness to support the economy. As for the UAE, the rally was mainly driven by cheap valuations, US-led market rallies, and foreign flows that continued to push the market. In Egypt, the market continued its up-trend with foreigners ending the month as net buyers, despite facing some turbulence along the way with negative news flow on Mobinil & Talaat Mostafa Group.

On the Fund front, after having increased exposure last month by 7%, exposure was raised again by an additional 24% in May. The reasoning behind increasing exposure is mainly due to the continuing improvement in sentiment and risk appetite both globally and regionally, the average oil price rising by 14% in May after a 10% rise in April, and MENA continuing to underperform emerging markets despite cheaper valuations and more robust earnings growth. In addition, while the region has been witnessing increased dependency on global markets with increased correlation, MENA is better placed with robust demographics and higher fiscal expenditure than the rest of the world. Furthermore, with continued global market stability, foreign flows are expected to continue to revert back and further extend the current market rally. The positive performance in the markets, coupled with the decision to increase the fund's equity exposure, has resulted in the fund recording positive performance of 7.8%.

Fund managers and many investors have been skeptical of the recent market performance, which many defined as a bear market rally and were waiting to see a correction before entering into the markets. Now, three months into the rally, we continue to witness increased equity exposure and improved GEM fund flows, with Asia attracting USD 9bn in inflows last month alone. We believe that fund managers and investors remain nervous in the short term, but are continuing to be forced to increase equity exposure in order not to miss out on further opportunities.

We are still of the view that Saudi Arabia & Qatar are expected to remain resilient due to their strong fiscal positions. Furthermore, we believe that global money is lingering in the sidelines for entry awaiting further global economic stability, continued market resilience, and even higher risk appetites. Therefore, we will maintain or slightly increase equity exposure, while remaining cautious on stock selection awaiting confirmation on 2<sup>nd</sup> quarter results.

Note: Country performances are calculated based on respective country indices

## Fund Performance

Period	Beltone MENA Fund	MSCI Arabia*
MTD	7.8%	12.4%
YTD	7.5%	14.8%
2008	-47.1%	-55.0%
Since Inception	-36.3%	-41.0%

\* Bloomberg prices

## Fund Information

NAV per Share	6.52
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	52
PE 09*	11.4x
Earnings Growth 09 (%)*	0.5%
Dividend Yield 09 (%)*	4.7%
MCAP (USD bn)*	6.9

\* Weighted average calculation excludes cash position

## Top 5 Holdings

Company	Country	% Assets
Qatar Telecom	Qatar	3.3%
OCI	Egypt	3.2%
Qatar National Bank	Qatar	3.1%
Saudi Telecom Co.	KSA	3.0%
CIB	Egypt	3.0%
Total		15.6%

Note: As of 31.05.2009

## Country & Sector Allocation

