

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

In spite of fears of regional markets correcting following gains recorded during the month of March, the markets in fact surprised by maintaining-if not gaining, momentum. Without exception, all regional markets ended April in positive territories, with Egypt topping the list with a gain of 23.6% during the month. Saudi Arabia, Qatar, Kuwait and Oman also recorded double-digit gains of 19.6%, 14.7%, 12.0%, and 10.8%, respectively. Tunisia, Morocco, Dubai, Abu Dhabi & Jordan also advanced by 9.3%, 5.0%, 2.4%, 1.6%, and 1.0%, respectively.

More note worthy is the resilience, along with the actual performance during the month. Despite some bad news, with the swine flu being in the limelight, the regional markets managed to record an impressive performance. During the last week of the month alone, and coinciding with the emergence of the swine flu, the MSCI Arabia was up 5%. Similarly, on the same day that news came out showing 1Q09 US GDP dropping more than expectations (a drop of 6% vs. expectations of about 5%) the MSCI Arabia closed 2.5% up. The above goes to prove that investors' confidence in the region is slowly gaining ground, especially in light of the fairly attractive valuations that the region offers. This was complemented by the positive news coming out of China that led to reassurance in the Asian markets. Furthermore, the global markets buoyed on news of expected slower declines in economic activity, with consumer spending in the US (constituting over two thirds of GDP) rising 2.2% in 1Q09, and the Bloomberg Professional Global Confidence Index climbing to 21.2 in April from 5.9 in March; the biggest increase since the initiation of the index.

Closer to home, the month of April saw a stream of earnings results, many of which actually beat analysts' expectations. In general, consumers stood their grounds, with companies such as Jarir, Al Maraii, Agthia & Eastern Company recording y-o-y growth in bottom line earnings, all of which is attributable to operational performance- thus confirming the favorable demographic qualities of the region. On the other hand, the region's biggest conglomerate, SABIC, announced losses of SAR974 million due to a one-time goodwill write-off of SAR1.18 billion. Nonetheless, the Saudi market was the second best performing market during the month. The telcos were a mixed bag of results, with Etihad Etisalat and Qatar Telecom beating expectations (net income increased 47% and 15% y-o-y, respectively), while Wataniya and Mobinil disappointed (net income dropped 4.6% & 6.0% y-o-y, respectively). Overall, the sustained rally across all markets during the month confirms that expectations of a poor first quarter were already discounted in the prices, while confidence in improving earnings is overshadowing pessimism.

The positive performance in the markets, coupled with the decision to increase the fund's equity exposure, as stated in the previous month's report, has resulted in the fund recording positive performance of 9.6%.

We had previously indicated interest in the equity markets will be restored once investors have better visibility on company performance, at which point the locked up liquidity will start flowing into the markets. Given that the past month has provided us with the needed reassurance regarding the markets' revival, and in light of the improving economic figures, it has been decided to further increase our target equity exposure.

Note: Country performances are calculated based on respective country indices

Fund Performance

Period	Beltone MENA Fund	MSCI Arabia*
MTD	9.6%	15.2%
YTD	-0.3%	2.2%
2008	-47.1%	-55.0%
Since Inception	-39.5%	-42.7%

* Bloomberg prices

Fund Information

NAV per Share	6.05
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	41
PE 09*	8.5
Earnings Growth 09 (%)*	6.4
Dividend Yield 09 (%)*	5.4
MCAP (USD bn)*	6.2

* Weighted average calculation excludes cash position

Top 5 Holdings

Company	Country	% Assets
Qatar Telecom	Qatar	3.0%
Saudi Telecom	KSA	3.0%
Qatar Navigation	Qatar	2.9%
OCI	Egypt	2.3%
Qatar National Bank	Qatar	2.3%
Total		13.5%

Note: As of 30.04.2009

Country & Sector Allocation

