

Fund Objective & Classification

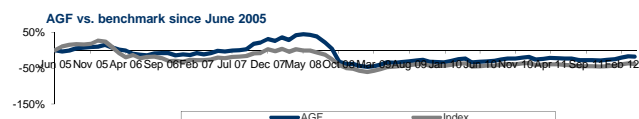
To achieve long-term capital appreciation primarily through investing in Arab listed equities.

Fund Benchmarks

The S&P Pan Arab Composite Index in USD includes investable equities from listed companies in Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia and the United Arab Emirates.

Investment Strategy & Management Style

The Fund employs an active fund management style with a blend of growth and value. Emphasis is on bottom-up stock selection guided by analysis of top-down macro-economic drivers.


Market Commentary

The Arab Gateway Fund declined -0.75% in April vs. a tumble of -2.85% for the S&P Pan Arab Composite. The performance puts the AGF ahead of its benchmark by +2% for the year. Although MENA markets as a whole pulled back, the fund benefited substantially from its weights in the UAE as well as the rotations in Saudi Arabia that were made to take advantage of the earnings season.

Global markets have put in a choppy month as we expected in our recent note, with a mixed bag of macro data and the ever present concerns on European debt reigning in the previous month's unbridled exuberance. All is certainly not rosy yet as imbalances in the global economy remain and politics and policy measures remain key market drivers. Although we remain watchful of game changing negative developments, thus far our base case of gradually improving global growth and disaster aversion in Europe near term stands firm amidst slowly improving US economic indicators, expectations of EM central banks easing as well as a thus far solid first quarter earnings season. However, as summer approaches and macro/policy indicators become more uneven, we expect markets to be more volatile.

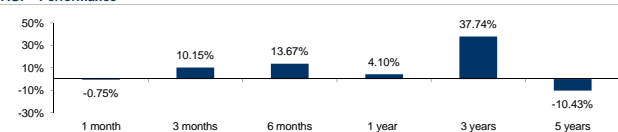
As we pointed out last month, the surge in speculative activity in the Saudi Arabian market abated through earnings season with investor focus returning to the fundamentally sound names. The result was a market decline of over 3% through the month with the fundamentally sturdy names outperforming. The Tadawul posted an aggregate increase in earnings of 15% Year on year, a solid start to 2012 and further support to our constructive stance on Saudi Arabian equities over the medium to long term. Similarly, the rampant speculation on the UAE market has also paused through earnings season as some signs of the improving fundamentals in the Emirates come through with solidly improved blue chip earnings thus far. Qatar remains largely range-bound, however sporting solid fundamentals and a growing discount to its regional peers, ripe for a catch-up play. We remain largely constructive on MENA markets, view the improving first quarter earnings as a clear indication of their strong and improving fundamentals, look forward to near and medium term catalysts in multiple markets to keep the momentum going and barring a major global economic event, remain buyers on any substantial weakness.

The fund, although active through earnings season, sports a low cash level in line with our views. We remain OW Saudi Arabia, UAE and Qatar with an increasing weight in the latter two markets. It is also important to note that the through the resurgence of retail speculation in our markets, despite the abundance of opportunities to make a quick buck, we remain committed to our robust investment process and fundamentally strong core conviction list, both of which we are confident will continue to outperform over the medium to long term.

Performance vs.

Benchmarks	Fund	S&P Pan Arab Composite Index
Current NAV *	23.87	705.96
MTD	-0.75%	-2.85%
YTD	12.75%	10.76%
2011	-8.51%	-12.59%
2010***	19.40%	12.62%
2009	8.09%	15.68%
2008	-53.14%	-52.79%
2007	49.28%	45.51%
2006	-19.73%	-40.36%
2005	54.40%	n/a
2004	57.50%	n/a
2003	41.33%	n/a
2002	10.99%	n/a
2001	-2.11%	n/a
Since February 2001 **	179.18%	n/a

2001 - 2009 MSCI Arabian Markets Index (Capped)

AGF - Performance ***


Top three holdings	Fund %	S&P Pan Arab Composite Index %
SABIC	7.40%	6.77%
Al Rajhi Bank	6.33%	6.14%
Etihad Etisalat	4.49%	2.62%


SHUAA ASSET MANAGEMENT
 A DIVISION OF SHUAA CAPITAL

Fund Managers

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Fund Characteristics	Fund	S&P Pan Arab Composite Index
Relative Return (12 months)	3.86%	-
Beta (12 months)	0.90	-
Volatility (12 months)	10.77%	11.58%
Sharpe Ratio	0.42	0.07
Number of Up Months/Down Months	47 / 33	44 / 36

Portfolio Diversification - Asset Class	Fund %	S&P Pan Arab Composite Index %
Cash and Equivalent	3.56%	0.00%
Equities	96.34%	100.00%
Fixed Income	0.10%	0.00%

Country Allocation - Equities	Fund %	S&P Pan Arab Composite Index %
Saudi Arabia	52.15%	54.34%
Kuwait	8.32%	13.25%
UAE	11.82%	5.65%
Egypt	5.47%	5.65%
Qatar	16.68%	8.55%
Morocco	0.00%	4.17%
Oman	1.90%	2.05%
Jordan	0.00%	2.59%
Tunisia	0.00%	0.68%
Bahrain	0.00%	1.38%
Lebanon	0.00%	1.69%
Fixed Income	0.10%	0.00%
Cash	3.56%	0.00%

Sector Allocation - Equities	Fund %	S&P Pan Arab Composite Index %
Financials	37.42%	47.63%
Materials	21.62%	22.89%
Telecommunication Services	9.06%	10.59%
Industrials	12.61%	10.03%
Energy	3.89%	2.01%
Consumer Staples	1.79%	3.15%
Consumer Discretionary	3.85%	1.59%
Utilities	2.76%	1.60%
Health Care	3.34%	0.51%
Fixed Income	0.10%	0.00%
Cash	3.56%	0.00%

Fund Information

Fund Type:	Open-ended
Subscription/Redemption Frequency:	Friday (Each week)
Inception Date**:	17 December 1999
Management Fees:	1.5% p.a.
Performance Fees:	15% over 10% Hurdle Rate
Investment Manager:	SHUAA CAPITAL psc
Administrator:	Close Fund Services Ltd.
Global Custodian:	RBC Dexia Investor Services Trust
Auditors:	BDO Novus Limited (Guernsey)
Incorporation:	British Virgin Islands
Fund Size:	USD 47.361 Million

* Note: All NAV's are net of all fees and charges

** Note: SHUAA Asset Management a division of SHUAA Capital Psc. was appointed manager of the Arab Gateway Fund in February 2001

*** Note: Benchmark / Index 2010 performance represent the combined performance of the MSCI Index (Year till 31st of August) and the respective S&P Index (31st of August to Date)

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