

**MAKASEB ARAB TIGERS FUND**  
**MANAMA**  
**KINGDOM OF BAHRAIN**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2008**

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

Chairman

Mr. Nabeel Waheed

Directors

Mr. Omar Bouhadiba  
Mr. Ali Raza Khan  
Mr. Kantic DasGupta (Up to October 26, 2008)  
Mr. Denis Sabourin (From October 26, 2008)

Registered Office

Flat 141, Building 3,  
Road 365, Block 316,  
Manama,  
Kingdom of Bahrain.

Principal Banker

Mashreqbank psc. Dubai, U.A.E.

Funds Company

Makaseb Funds Company B.S.C. (C)

Fund Manager

Mashreqbank psc. Dubai, U.A.E.

Administrator & Custodian

Gulf Investment Corporation, Kuwait

Auditor

Deloitte & Touche,  
P.O. Box 421,  
Manama,  
Kingdom of Bahrain.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

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**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**DIRECTORS' REPORT**

The Directors present the annual report and financial statements for the year ended December 31, 2008.

**PRINCIPAL ACTIVITY**

The Fund is a collective investment scheme and its primary objective is to achieve long term capital appreciation through investments primarily in equities listed on the stock exchanges of the Middle East and North Africa region.

**REVIEW OF BUSINESS**

The results of the operations of the Fund are summarised on page 5.

**APPROPRIATIONS**

None

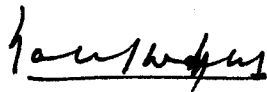
**CHANGES IN DIRECTORS**

Mr. Kantic DasGupta has been replaced by Mr. Denis Sabourin on October 26, 2008.

**AUDITOR**

A resolution proposing the reappointment of Deloitte & Touche as the auditor of the Fund for the year ending December 31, 2009 and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

On behalf of the Board



-----  
Director  
March 18, 2009

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS:

Makaseb Arab Tigers Fund,  
Manama,  
Kingdom of Bahrain.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Makaseb Arab Tigers Fund, ("the Fund"), which comprise the statement of assets and liabilities as at December 31, 2008, the statement of operations, the statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS: (CONTINUED)*Opinion*

In our opinion, the financial statements present fairly in all material respects, the financial position of Makaseb Arab Tigers Fund as of December 31, 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 7 (a) to the financial statements. The securities designated at fair value through profit or loss represent investments in listed securities, which provide the Fund with the opportunity for return through trading gains. The fair value of these securities are based on quoted market prices. Certain markets and securities may be illiquid and indicative market prices may not necessarily represent realisable value.

Manama – Kingdom of Bahrain  
March 18, 2009

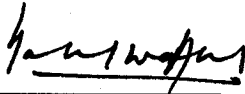
*Deloitte & Touche*  
Deloitte & Touche

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT DECEMBER 31, 2008**

	<u>Notes</u>	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>
<b>ASSETS:</b>			
Cash at banks	6 & 16	2,683,546	1,165,110
Securities designated at fair value through profit or loss	7	24,479,054	20,224,487
Other assets	8	-	5,933
<b>Total Assets</b>		27,162,600	21,395,530
<b>LIABILITIES:</b>			
Bank overdraft	9 & 16	-	1,452,035
Accrued fees and other payables	10	53,721	101,927
Due to a related party	11	148,039	377,288
<b>Total Liabilities</b>		201,760	1,931,250
<b>Net Assets</b>		26,960,840	19,464,280
<b>ANALYSIS OF NET ASSETS:</b>			
Capital	12	53,534,757	16,130,973
Net realised loss		(12,841,135)	(547,754)
Change in fair value of securities designated at fair value through profit or loss	7	(13,732,782)	3,881,061
<b>Net Assets</b>		26,960,840	19,464,280
Net asset value per unit	19	5.99577	12.27912

The financial statements were approved by the Directors on March 18, 2009 and signed on their behalf by:



Director

The attached notes 1 to 20 form part of these financial statements.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Notes</u>	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>
<b>INVESTMENT INCOME</b>			
Dividend income	13	744,410	567,487
Other income	13 & 16	5,042	148,143
		-----	-----
		749,452	715,630
		-----	-----
<b>Expenses</b>			
Management fees	5 & 16	690,428	389,899
Performance fees	5 & 16	-	294,468
Administrative fees	5	99,683	54,982
Custody fees	5	84,864	50,998
Transaction fees	5	17,700	14,445
Registrar fees	5	12,410	9,513
Professional fees		8,119	6,276
Interest expense	16	38,399	16,099
Foreign exchange loss		1,554,434	-
Other expenses	14	63,327	32,802
		-----	-----
Total Expenses		2,569,364	869,482
		-----	-----
<b>Investment loss-net</b>		(1,819,912)	(153,852)
Realised and unrealised gain or loss on securities designated at fair value through profit or loss:			
Net realised (loss)/gain		(10,473,469)	2,715,089
Change in fair value		(17,613,843)	3,527,313
		-----	-----
Net (loss)/gain on securities designated at fair value through profit or loss		(28,087,312)	6,242,402
		-----	-----
<b>Net (decrease)/increase in net assets resulting from operations</b>		(29,907,224)	6,088,550
		=====	=====

The attached notes 1 to 20 form part of these financial statements.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>
Investment loss – net	( 1,819,912)	(153,852)
Net realised (loss)/gain on securities designated at fair value through profit or loss	(10,473,469)	2,715,089
Change in fair value of securities designated at fair value through profit or loss	(17,613,843)	3,527,313
	-----	-----
Net (decrease)/increase in net assets resulting from operations	(29,907,224)	6,088,550
Change in net assets from capital share transactions	37,403,784	(9,805,262)
	-----	-----
Change in net assets	7,496,560	(3,716,712)
Net assets at the beginning of the year	19,464,280	23,180,992
	-----	-----
Net assets at the end of the year	<u>26,960,840</u>	<u>19,464,280</u>

The attached notes 1 to 20 form part of these financial statements.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
	<u>USD</u>	<u>USD</u>
<b>Cash flows from operating activities</b>		
Net (decrease)/increase in net assets resulting from operations	(29,907,224)	6,088,550
Adjustments for:		
Net loss/(gain) on securities designated at fair value through profit or loss	28,087,312	(6,242,402)
Dividend income	(744,410)	( 567,487)
Interest income	( 4,869)	( 700)
Interest expense	38,399	16,099
	-----	-----
	(2,530,792)	(705,940)
Changes in operating assets and liabilities:		
Changes in other assets	5,933	36,285
Changes in other liabilities	( 277,455)	323,817
	-----	-----
	(2,802,314)	(345,838)
Payments for purchase of securities designated at fair value through profit or loss	(88,296,498)	(21,276,664)
Proceeds from disposal of securities designated at fair value through profit or loss	55,954,619	27,172,296
Dividend received	744,410	567,487
Interest received	4,869	700
Interest paid	(38,399)	(16,099)
	-----	-----
<b>Net cash (used in)/from operating activities</b>	(34,433,313)	6,101,882
	-----	-----
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	44,207,672	8,874,333
Payments on redemption of units	(6,803,888)	(18,679,595)
	-----	-----
<b>Net cash from/(used in) financing activities</b>	37,403,784	(9,805,262)
	-----	-----
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,970,471	(3,703,380)
Cash and cash equivalents at the beginning of the year	(286,925)	3,416,455
	-----	-----
<b>Cash and cash equivalents at the end of the year</b>	2,683,546	(286,925)
	=====	=====
Comprising:		
Cash at banks	2,683,546	1,165,110
Bank overdraft	-	(1,452,035)
	-----	-----
	2,683,546	(286,925)
	=====	=====

The attached notes 1 to 20 form part of these financial statements.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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1. **STATUS AND ACTIVITIES:**

Makaseb Arab Tigers Fund (“the Fund”) is an open-ended investment fund established by Makaseb Funds Company B.S.C. (c) (“the Fund Company”). The Fund is a collective investment scheme established pursuant to the Central Bank of Bahrain (“CBB”) regulations for the operation and marketing of collective investment schemes issued by CBB, Circular Number OG/356/92 of November 8, 1992 and subsequent supplementary circulars. The Fund is registered at the Ministry of Industry & Commerce and is authorized and approved by the CBB. It is established for a period of 25 years by the Fund Company. The life of the Fund can be extended by the Fund Company at the end of the 25<sup>th</sup> year.

The Fund was launched on November 22, 2005 and is denominated in US dollars. The objective of the Fund is to achieve long term capital appreciation through investments primarily in equities listed on the stock exchanges of the Middle East and North Africa region. The Fund’s investment policies are more fully defined in its Prospectus.

The Fund is managed by Mashreqbank psc (“the Investment Manager”) a bank incorporated in the United Arab Emirates. The Fund is administered by Gulf Investment Corporation gsc (“the Administrator”), a financial institution established under the auspices of the Gulf Corporation Council (“GCC”). The Fund Company is approved by the CBB and incorporated as a Bahrain Joint Stock Investment Company with Commercial Registration Number 55378 and has been established to act as an umbrella vehicle for funds including the Fund.

The financial statements represent the assets, liabilities and operations of the Fund only.

The Fund does not have any employees, however, it uses the services of an Investment Manager, an Administrator and a Custodian for the fund management, administration and custody functions.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**2. ADOPTION OF NEW AND REVISED STANDARDS:**

**2.1 Standards and Interpretations effective in the current period**

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC 11: IFRS 2 Group and Treasury Share Transactions, IFRIC 12: Service Concession Arrangements and IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction. The adoption of these Interpretations has not led to any changes in the Fund's accounting policies.

**2.2 Standards and Interpretations in issue not yet adopted**

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

	<b>Effective for annual periods beginning on or after</b>
<i>New Interpretations:</i>	
IFRIC 13 Customer Loyalty Programmes	July 1, 2008
IFRIC 15 Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 17 Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 18 Transfers of Assets from Customers	Transfers received on or after July 1, 2009
<i>New Standards:</i>	
IFRS 8 Operating Segments	January 1, 2009
<i>Amendments to Standards and Interpretations:</i>	
IFRS 1 First-time Adoption of International Financial Reporting Standards-Amendment relating to cost of an investment on first time adoption	January 1, 2009
IFRS 2 Share-Based Payment-Amendment relating to vesting conditions and cancellations	January 1, 2009
IFRS 3 Business Combinations- Comprehensive revision on applying the acquisition method	July 1, 2009
IAS 1 Presentation of Financial Statements-Comprehensive revision including requiring a statement of comprehensive income	January 1, 2009
IAS 1 Presentation of Financial Statements-Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 23 Borrowing Costs-Comprehensive revision to prohibit immediate expensing	January 1, 2009
IAS 27 Consolidated and Separate Financial Statements-Amendment relating to cost of an investment on first time adoption	January 1, 2009

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

2. **ADOPTION OF NEW AND REVISED STANDARDS: (CONTINUED)**

2.2 **Standards and Interpretations in issue not yet adopted: (Continued)**

	Effective annual beginning after	for periods on or after
<i>Amendments to Standards: Continued)</i>		
IAS 27	Consolidated and Separate Financial Statements- Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: Presentation-Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement- Amendments for eligible hedged Items	July 1, 2009
Various Standards	Amendments resulting from May 2008 Annual Improvements to IFRS's	Various
IAS 39 & IFRS 7	Reclassification of Financial Assets	July 1, 2008
IFRS 7	Improving Disclosures about Financial Instruments	January 1, 2009
IFRIC 9 & IAS 39	Embedded Derivatives	Annual periods ending on or after June 30, 2009

The Directors anticipate that all of the above Standards and Interpretations, as applicable, will be adopted in the Fund's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Fund in the period of initial application.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**3. SIGNIFICANT ACCOUNTING POLICIES:**

**Statement of Compliance**

The financial statements have been prepared in conformity with the Prospectus dated September 21, 2005, as amended and subsequent updates and in accordance with International Financial Reporting Standards (“IFRS”).

**Basis of Preparation**

The financial statements are prepared on the historical cost convention, except for the revaluation of certain financial instruments.

The financial statements are presented in United States Dollars (“USD”) being the presentation currency of the Fund.

The significant accounting policies are as follows:

**(a) Investments**

The values of securities listed on a securities exchange are based on the last bid price on that exchange on the day of valuation. Transactions in marketable securities are accounted for on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investments within the time frame established by the market concerned.

Investments in securities are classified into securities designated at fair value through profit or loss which are initially recognised and subsequently measured at fair value. Any resultant change in the fair value is recognised in the statement of operations as unrealised gains or losses. Realised gains and losses from disposal of securities are determined on an average cost basis.

**(b) Other Payables and Accruals**

Other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. These are carried at amortised cost which is the fair value of the consideration to be settled in the future.

**(c) Revenue Recognition**

Dividend income from investments is recognized when the shareholders’ right to receive payment has been established.

Interest income on all interest bearing instruments are recognised on a time proportion basis.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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3. **SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

(d) **Foreign Currencies**

Foreign currency transactions are recorded in United States Dollars at the approximate rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currency at the valuation date are translated at the rates of exchange at that date.

The Fund isolates the portion of the results of operations resulting from changes in foreign exchange rates on investments in securities from the fluctuations arising from changes in market prices of investments in securities held.

Translation differences on monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss in the statement of operations.

(e) **Expenses**

All recurring expenses are accounted for on the accrual basis.

Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(f) **Cash and Cash Equivalents**

Cash and cash equivalents are comprised of banks' current accounts net of bank overdraft.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:**

In the application of the Fund's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Fund's accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

*Classification of investments*

Management has to decide upon acquisition of an investment whether it should be classified as held to maturity, available for sale or investments at fair value through profit or loss. For those deemed to be held to maturity, the Fund ensures that the requirements of IAS 39 are met and in particular the Fund has the intention and ability to hold these to maturity. The Fund classifies investments as carried at fair value through profit or loss if they are acquired primarily for the purpose to be held for trading or upon initial recognition it is designated by the Fund as at fair value through profit or loss. All other investments are classified as available for sale.

**Key sources of estimation uncertainty**

There were no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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5. **FEES AND EXPENSES:**

(a) **Management Fee**

The Investment Manager is entitled to an annual Management Fee at a maximum of 2% of the Net Asset Value (“NAV”) of the Fund for its services as Investment Manager. The Management Fee is calculated and accrued on each valuation day and is payable quarterly in arrears.

(b) **Performance Fee**

The Investment Manager is also entitled to a Performance Fee of 10% per annum of the appreciation in Net Asset Value which exceeds 10% per annum payable semi-annually in arrears, subject to a “High Water Mark” as described in the Prospectus of the Fund.

(c) **Administration Fee**

Under the Administration Agreement, the Fund pays the Administrator an agreed percentage of the NAV of the Fund (subject to a minimum of USD 60,000). The Administration Fee calculated and accrued on each valuation day and is payable quarterly in arrears. The applicable rates depend on agreed thresholds and vary from 0.14% to 0.28%.

(d) **Custody Fee**

Under the Custody Agreement, the Fund pays the Custodian an agreed percentage of the investments of the Fund. The Custody Fee is calculated and accrued on each valuation day and is payable quarterly in arrears. The applicable rate depend on agreed thresholds and vary from 0.125% to 0.30%.

(e) **Transaction Fee**

Under the Administration Agreement, the Fund pays the Administrator USD 60 for each purchase and sale transaction pertaining to investments. The Fund also pays the Administrator USD 45 for each redemption transaction where the value of the redemption of units exceeds USD 100,000.

(f) **Registrar and Transfer Agent Fee**

The Fund is responsible for the fees and expenses of the Registrar and Transfer Agent. The registrar fee is BD 3 per subscription or redemption subject to a minimum annual fee of BD 4,500.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

6. **CASH AT BANKS:**

Cash at banks comprise cash held in a current account with Mashreqbank psc, the Investment Manager (Note 16) and with stock brokers.

7. **SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**

This caption is composed of the following:

	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>
Listed shares	24,404,000	20,143,615
Unlisted shares	75,054	-
Listed bonds	-	80,872
	<u>24,479,054</u>	<u>20,224,487</u>

December 31, 2008

Listed Shares

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
AED - Banking	676,877	661,774	(15,103)
- Real Estate	1,549,792	531,106	(1,018,686)
- Services	3,894,201	2,456,131	(1,438,070)
	<u>6,120,870</u>	<u>3,649,011</u>	<u>(2,471,859)</u>
EGP - Industrial	<u>2,303,769</u>	<u>1,093,122</u>	<u>(1,210,647)</u>
QAR - Banking	<u>2,439,898</u>	<u>1,790,107</u>	<u>(649,791)</u>

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

7. **SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**  
**(CONTINUED):**

December 31, 2008

Listed Shares (Continued)

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
KWD - Services	1,131,040	515,559	(615,481)
OMR - Industrial	385,901	281,922	(103,979)
- Services	1,514,427	661,605	(852,822)
	1,900,328	943,527	(956,801)
SAR - Banking	2,428,103	1,784,371	(643,732)
- Food	4,506,237	3,987,468	(518,769)
- Industrial	3,605,459	1,769,068	(1,836,391)
- Services	5,372,977	5,100,692	(272,285)
- Other	2,135,478	2,025,864	(109,614)
	18,048,254	14,667,463	(3,380,791)
GBP - Industrial	3,745,048	1,075,066	(2,669,982)
USD - Services	132,662	51,255	(81,407)
CHF - Other	2,314,913	618,890	(1,696,023)
Listed Shares	38,136,782	24,404,000	(13,732,782)
Unlisted Shares			
AED - Other	75,054	75,054	-
	38,211,836	24,479,054	(13,732,782)

The Directors estimate that the cost of unlisted shares approximates their fair values as of the balance sheet date.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**7. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**  
**(CONTINUED):**

December 31, 2007

Listed Shares

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
AED - Banking	509,587	590,798	81,211
- Industrial	415,837	614,718	198,881
- Real Estate	729,933	811,326	81,393
- Services	1,397,022	1,648,440	251,418
	----- 3,052,379	----- 3,665,282	----- 612,903
EGP - Banking	1,122,800	1,585,278	462,478
- Industrial	585,688	863,940	278,252
- Investments	1,053,338	1,595,377	542,039
- Services	1,186,060	1,357,793	171,733
	----- 3,947,886	----- 5,402,388	----- 1,454,502
KWD - Services	1,753,047	1,464,868	(288,179)
	-----	-----	-----
OMR - Banking	996,133	1,648,124	651,991
- Industrial	486,775	833,977	347,202
- Services	149,948	174,026	24,078
	----- 1,632,856	----- 2,656,127	----- 1,023,271
SAR - Banking	658,350	704,887	46,537
- Food	1,807,849	2,126,506	318,657
- Industrial	520,169	524,583	4,414
- Services	2,206,234	2,514,050	307,816
	----- 5,192,602	----- 5,870,026	----- 677,424

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**7. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**  
**(CONTINUED):**

December 31, 2007

Listed Shares (Continued)

		<u>Cost</u>	<u>Fair value</u>	<u>Change in</u>
		<u>USD</u>	<u>USD</u>	<u>Fair value</u>
				<u>USD</u>
GBP - Industrial		330,880	383,880	53,000
		-----	-----	-----
USD - Banking		225,478	532,040	306,562
- Services		132,661	169,004	36,343
		-----	-----	-----
		358,139	701,044	342,905
		-----	-----	-----
Listed shares		16,267,789	20,143,615	3,875,826
		-----	-----	-----
Listed Bonds				
	<u>Maturity</u>	<u>Coupon</u>		
		<u>Rate</u>		
PCFC				
Development	January 23, 2008	Zero	75,637	5,235
			-----	-----
			16,343,426	3,881,061
			=====	=====

- (a) Investments in listed shares are classified as securities designated at fair value through profit or loss. These securities provide the Fund with the opportunity to enhance the return on investment through trading gains. The fair value of these securities is based on market prices, which may not necessarily represent realisable value because of market illiquidity.

**8. OTHER ASSETS:**

	<u>2008</u>	<u>2007</u>
	<u>USD</u>	<u>USD</u>
Dividend receivable	-	5,933
	-----	-----
	-	5,933
	=====	=====

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9. **BANK OVERDRAFT:**

The bank overdraft had been obtained from Mashreqbank psc, the Investment Manager. This facility is unsecured and carries interest of EIBOR + 0.5% per annum (Note 16). As of December 31, 2008, the bank overdraft was nil.

10. **ACCRUED FEES AND OTHER PAYABLES:**

	<u>2008</u>	<u>2007</u>
	<u>USD</u>	<u>USD</u>
Administration fees	23,971	12,352
Registrar fees	2,984	2,664
Transaction charges	4,260	4,290
Other professional fees	5,475	4,907
Custodian fees	17,031	11,383
Outstanding settlements	-	66,331
	-----	-----
	<u>53,721</u>	<u>101,927</u>

11. **DUE TO A RELATED PARTY:**

	<u>2008</u>	<u>2007</u>
	<u>USD</u>	<u>USD</u>
Mashreqbank psc. – Management fee	148,039	82,820
– Performance fee	-	294,468
	-----	-----
	<u>148,039</u>	<u>377,288</u>

12. **CAPITAL:**

The caption is composed of the following:

	<u>2008</u>		<u>2007</u>	
	<u>No. of units</u>	<u>USD</u>	<u>No. of units</u>	<u>USD</u>
Opening balance	1,585,153	16,130,973	2,623,520	25,936,235
Subscriptions during the year	3,550,848	44,207,672	829,554	8,874,333
Redemptions during the year	(639,360)	(6,803,888)	(1,867,921)	(18,679,595)
	-----	-----	-----	-----
Ending balance	<u>4,496,641</u>	<u>53,534,757</u>	<u>1,585,153</u>	<u>16,130,973</u>

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13. **INVESTMENT INCOME:**

An analysis of the Fund's investment income is as follows:

	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>
Dividend income:		
Dividend from listed shares	744,410	567,487
	-----	-----
Other operating income:		
Interest on deposits	4,869	700
Exchange gain	-	147,443
Miscellaneous income	173	-
	-----	-----
	5,042	148,143
	-----	-----
	<u>749,452</u>	<u>715,630</u>

14. **OTHER EXPENSES:**

	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>
CBB Registration fee	5,337	5,336
Bank charges and commissions	3,333	1,926
Advertisement	-	2,320
Miscellaneous	54,657	23,220
	-----	-----
	63,327	32,802
	=====	=====

15. **BUSINESS AND GEOGRAPHIC SEGMENTS:**

The Directors are of the opinion that the Fund is engaged in a single segment of business, being investments in equity and debt securities issued by companies operating and generating revenue in the Middle East and North Africa Region and therefore no further segmental reporting has been provided.

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**16. RELATED PARTY TRANSACTIONS:**

The Fund Company is a related party as it was incorporated to create the Fund.

Mashreqbank psc, Dubai, the Investment Manager, is also the parent company of the Fund Company.

Mashreq Securites L.L.C. is a related party and it is a fully owned subsidiary of Mashreqbank psc.

The following transactions occurred between the Fund and its related parties:

<u>Related party</u>	<u>Nature of Transactions</u>	<u>Amount (Incurred)/Earned</u>	
		<u>2008</u>	<u>2007</u>
		<u>USD</u>	<u>USD</u>
Mashreqbank psc, Dubai	Interest income	4,869	700
Mashreqbank psc, Dubai	Management fees	(690,428)	(389,899)
Mashreqbank psc, Dubai	Performance fees	-	(294,468)
Mashreqbank psc, Dubai	Interest expenses	(38,399)	(16,099)

(a) During the year Mashreqbank psc, Dubai had invested USD 258,624.940 representing 21,809.303 units (2007: USD 4,850,000 representing 418,307.27 units) and had no redemptions (2007: USD 1,263,225 representing 136,100 units redeemed). For these subscriptions and redemptions no subscription or redemption fees were paid.

(b) The following related parties owned units in the Fund:

<u>Related Party</u>	<u>Nature of relationship</u>	<u>Number of units held as at December 31,</u>	
		<u>2008</u>	<u>2007</u>
Abdul Aziz Al Ghurair	CEO of Mashreqbank	2,171,927.40	-
Imran Ahmad	Managing Director at Mashreqbank's Asset Management Division	2,074.82	1,124.05
Mashreqbank psc	Investment Manager of the fund	440,116.57	418,307.27

(c) Cash at banks includes cash held in a current account with Mashreqbank psc amounting to USD 1,868,938 (2007: overdraft USD 1,452,035) (Note 6).

(d) The bank overdraft had been obtained from Mashreqbank psc (Note 9).

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17. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:**

Financial instruments consist of financial assets and financial liabilities.

*Financial assets* of the Fund include securities designated at fair value through profit or loss and cash at banks.

*Financial liabilities* of the Fund include bank overdraft, accrued fees and other payables and due to a related party.

**Significant accounting policies**

Significant accounting policies and methods adopted, including the criteria for recognition, basis of measurement, and the basis on which income and expenses are recognised in respect of each class of financial assets and liabilities are set out in Note 3.

**Categories of financial instruments**

	<u>2008</u>	<u>2007</u>
	<u>USD</u>	<u>USD</u>
<b>Financial assets</b>		
Securities designated at fair value through profit or loss	24,479,054	20,224,487
Receivables (including cash at banks)	2,683,546	1,171,043
<b>Financial liabilities</b>		
Amortised cost	201,760	1,931,250

**Financial risk management objectives**

The Fund Manager provides services to the Fund, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Fund through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include credit risk, liquidity risk and market risk comprising interest rate risk, foreign currency risk and equity price risk.

17.1 **CREDIT RISK AND CONCENTRATION OF CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location.

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17. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

17.1 **CREDIT RISK AND CONCENTRATION OF CREDIT RISK : (CONTINUED)**

To mitigate this risk, the Fund spreads its investments, to the extent possible, over various types of counterparties and products consisting mainly of equity securities. However, where concentration is inevitable, the Fund takes precautions to reduce this additional risk to acceptable levels.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit rating agencies.

*Exposure to credit risk*

The management of the Fund believes that the carrying amount of financial assets recorded in the financial statements represents the Fund's maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	<u>Carrying amount</u>	
	<u>2008</u>	<u>2007</u>
	<u>USD</u>	<u>USD</u>
Cash at banks	2,683,546	1,165,110
Securities designated at fair value through profit or loss	24,479,054	20,224,487
Other assets	-	5,933
	<u>27,162,600</u>	<u>21,395,530</u>

Recorded financial assets have not been provided as collateral for any facilities.

17.2 **LIQUIDITY RISK**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, it arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected or reimburse the unit holders as a result of market illiquidity.

The Fund manages liquidity risk by maintaining sufficient cash at banks or by obtaining credit facilities from banks.

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17. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

17.2 **LIQUIDITY RISK : (CONTINUED)**

The liquidity profile of financial liabilities reflects the projected cash flows over the life of these financial liabilities. The liquidity profile of financial liabilities at December 31 was as follows:

	<u>Upto 3</u> <u>Months</u> <u>USD</u>	<u>Total</u> <u>USD</u>
<b>2008</b>		
<b>Financial Liabilities</b>		
Accrued fees and other payables	53,721	53,721
Due to a related party	148,039	148,039
	-----	-----
	<u>201,760</u>	<u>201,760</u>
	=====	=====
	<u>Upto 3</u> <u>Months</u> <u>USD</u>	<u>Total</u> <u>USD</u>
<b>2007</b>		
<b>Financial Liabilities</b>		
Bank overdraft	1,452,035	1,452,035
Accrued fees and other payables	101,927	101,927
Due to a related party	377,288	377,288
	-----	-----
	<u>1,931,250</u>	<u>1,931,250</u>
	=====	=====

17.3 **MARKET RISK**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Fund's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity price.

The Fund's market risk is managed through diversification of the investment portfolio exposure. The Fund's overall market positions are monitored on a daily basis by the Investment Manager.

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17. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

17.3 **MARKET RISK : ( CONTINUED)**

17.3.1 **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Fund is exposed to minimal risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Fund is exposed to interest rate risk in respect of its bank overdraft which was nil as of December 31, 2008.

The Investment Manager reviews the market analysis and expectations for interest rate movements as the basis on which Investment Manager monitors and manages the interest rate risk aspect and its impact on the Fund performance.

There are no interest bearing assets or liabilities at the balance sheet date with variable interest rate exposure.

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for the overdraft. For the overdraft which is subjected to a variable rate of interest, the analysis is prepared assuming the amount of the overdraft at the balance sheet date was outstanding for the whole year. An increase or decrease of 25 basis point is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Fund's income for the year would have decreased/increased by USD : Nil (2007 : USD 3,630).

17.3.2 **Foreign Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

The Fund's assets and liabilities are denominated primarily in Qatari Riyals, United Arab Emirates Dirhams , Saudi Riyals, Omani Riyals, Bahraini Dinars, Kuwaiti Dinars, Egyptian Pounds, British Pounds, Swiss Francs rather than United States Dollars, the presentation currency. The Fund is not exposed to significant currency risk on the Qatari Riyal, United Arab Emirates Dirham, Saudi Riyal, Omani Riyal, Bahrani Dinar since these currencies are effectively pegged to the US Dollar.

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**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

**17.3 MARKET RISK : (CONTINUED)**

**17.3.2 Currency Risk: (Continued)**

The carrying amounts of the Fund's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>
QAR	1,790,107	-	-	-
AED	5,620,332	3,665,282	-	1,452,035
SAR	15,350,998	6,874,043	-	-
OMR	944,594	2,687,934	-	-
KWD	546,944	1,467,180	-	-
BHD	28,824	7,205	8,459	7,571
	-----	-----	-----	-----
GCC Currencies	24,281,799	14,701,644	8,459	1,459,606
	-----	-----	-----	-----

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u>
EGP	1,118,189	5,436,120	-	-
GBP	1,075,066	383,880	-	-
MAD	11,552	12,011	-	-
JOD	1,167	1,167	-	-
CHF	618,891	-	-	-
	-----	-----	-----	-----
Other currencies	2,824,865	5,833,178	-	-
	-----	-----	-----	-----
	<u>27,106,664</u>	<u>20,534,822</u>	<u>8,459</u>	<u>1,459,606</u>
	=====	=====	=====	=====

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**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

**17.3 MARKET RISK : ( CONTINUED)**

**17.3.2 Currency Risk: (Continued)**

*Foreign currency sensitivity analysis*

The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items in GCC currencies (except the Kuwaiti Dinar) and adjusts their translation at the period end for a 5% change in foreign currency rates with all other variables held constant. 5% represents management's assessment of the reasonably possible change in foreign currency rates. A negative number below indicates a decrease in the income and a positive number indicates an increase in income, where USD strengthens 5% against the relevant currency. For a 5% weakening of USD against the relevant currency, there would be an equal and opposite impact on the statement of operations.

<u>Currency</u>	<u>2008</u>	<u>2007</u>
	<u>Effect on Statement</u>	<u>Effect on Statement</u>
	<u>of Operations</u>	<u>of Operations</u>
	<u>USD</u>	<u>USD</u>
KWD	- 27,347	- 73,359
EGP	- 55,909	- 271,806
GBP	- 53,753	- 19,194
MAD	- 578	- 601
JOD	- 58	- 58
CHF	- 30,945	-

**17.3.3 Equity Price Risk**

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Fund manages the risk through diversification of investments in terms of geographical distribution, to the extent permissible in the Prospectus, and industry concentration. As at the year ends, all the Fund's equity investments were in equities listed on the Securities Markets of Dubai, Abu Dhabi, Oman, Egypt, Saudi Arabia, Bahrain and Kuwait.

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17. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

17.3 **MARKET RISK : ( CONTINUED)**

17.3.3 **Equity Price Risk: (Continued)**

*Equity Price Sensitivity analysis*

The effect on statement of operations (as a result of a change in the fair value of securities designated at fair value through profit or loss at the year ends presented) due to a reasonably possible change in market indices which have been revised from 5% in 2007 to 10% for 2008 due to the volatility of the equity markets, with all other variables held constant, is as follows:

<u>Market</u>	<u>2008</u>		<u>2007</u>	
	<u>Change in equity price %</u>	<u>Effect on Statement of Operations USD</u>	<u>Change in equity price %</u>	<u>Effect on Statement of Operations USD</u>
United Arab Emirates	+ 10	449,519	+ 5	+ 195,758
Egypt	+ 10	206,720	+ 5	+ 289,313
Qatar	+ 10	179,010	+ 5	-
Kuwait	+ 10	51,556	+ 5	+ 73,243
Oman	+ 10	94,353	+ 5	+ 132,806
Saudi Arabia	+ 10	1,466,746	+ 5	+ 293,501
Bahrain	+ 10	-	+ 5	+ 26,602

There would be an equal and opposite impact on the statement of operations, had there been a decrease in equity prices by 10% (5% in 2007).

18. **FAIR VALUE OF FINANCIAL INSTRUMENTS:**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The Directors believe that the fair values of financial instruments, are not significantly different from the carrying values included in the financial statements.

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19. **NET ASSET VALUE PER UNIT:**

	<u>Net Asset Value</u> <u>USD</u>	<u>Number of Units</u> <u>in issue</u>	<u>Net Asset Value</u> <u>Per Unit</u> <u>USD</u>
As at December 31, 2008	26,960,840	4,496,641	5.99577
As at December 31, 2007	19,464,280	1,585,153	12.27912

The net asset value per unit is based on net assets and units outstanding at the year end.

20. **NON-ADJUSTING EVENT AFTER THE STATEMENT OF ASSETS AND LIABILITIES DATE:**

Subsequent to December 31, 2008 and up to the date of approval of these financial statements by the Board of Directors, there has been a decrease in the market prices of securities designated at fair value through profit or loss and consequently the Net Asset Value of the Fund. The Net Asset Value of the Fund and the fair value of the securities designated at fair value through profit or loss as at March 18, 2009 amounts to USD 24,847,755 and USD 21,958,434 respectively with the Net Asset Value per Unit being USD 5.52025.