



# Andalucia

Cairo 1/7/2010,

Dear Valued Investor,

Attached to this letter you will find your statement covering the first 6 months of this year.

Reflecting a hard first half, the result year to date is an average decrease in portfolio value of about 8%\*. That is to be compared with an EGX100† decrease of 14.2% year to date and a drop of 28% from this year's high to yesterday's close.

In March's newsletter, we stated that we picked an entry point that was based on a more stable outlook for the coming year. Nevertheless, we have taken into account the possibility of another correction, which happened, and that is why our portfolio values have not been as hurt as most market investors. When entering the market, we took the following precautions:

1. We did not take full exposure to the market as we used only about 2/3 of the funds available.
2. We picked stocks that are cheap when compared to the embedded value in these stocks according to the following criteria:
  - a. Profitability potential.
  - b. Intrinsic value.
  - c. Ability to outperform in recessionary conditions.
  - d. Dividends policy and history.

We are still very comfortable with our picks, and believe we will outperform all other investment management firms this year.

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\* That is the average portfolios performance year to date. Your percentage might differ as previous periods are included

† The EGX 100 is the broader market index covering the 100 most liquid stocks in the Egyptian stock exchange



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Concerning the market outlook, we remain very positive. We believe the market is still bullish overall and we will continue to build our positions slowly but surely until the point where we find the market is becoming overvalued.

Finally, I would like to invite you to come and chat with me anytime about our picks, your portfolio or, any other matter of your finances and investments. Chatting with clients is always a pleasure and I make it a point of spending as much time with the client as he/she needs so please try to take advantage of this invitation.

Wishing you a great and prosperous trading year, I remain...

Sincerely yours,

Mohamed El Hawary

Managing Director

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