

Andalucia

Cairo 26/1/2011,

Dear Valued Investor,

As we know investors need to be updated with any major event taking place, we find it mandatory to send you this newsletter to clarify where we stand in light of the recent unforeseen political events in the region.

Two weeks after sudden political events that started out with the riots in Tunisia took our portfolios down from over a 10% profit to a 2% drawdown. We find it imperative to review our stance. These are the facts:

- 1- Our views of the potential of our stock picks have not changed. We have amassed during the past year a number of stocks which are undervalued in terms of both their intrinsic value and potential.
- 2- Our view that riskier asset classes will be an outperformer this year has been supported in the first month of 2011 with stock indices all over the world as well as commodities showing very impressive returns.
- 3- Our view of the economic potential of Egypt for the coming few months has not changed.

This been said, it is important to consider the following:

- 1- All of the above is not applicable if the world view of the country, market and political conditions changes.
- 2- Our mandate states very clearly that **our first priority is capital protection** then profit accumulation.

Conclusion:

Whereas we believe the market has overdone the latest drop and is up for a rally, we still take into account that this might not be the case. Therefore, we will set the following parameter:

If the EGX100 (currently stands at 1029.04) hits 984 points, we will start liquidating all positions immediately. This means that, we are now poised for one of the following 2 scenarios:

Andalucia

- 1- The market never touches 984 points, starts to rally and we stay in the market for either:
 - a. A short period of time till we exit our positions at better levels.
 - b. The originally intended period, which implies exit around Q3 2011.

The decision on which of the two scenarios is applicable will depend on the speed and the intensity of the ensuing rally.

- 2- The market touches 984 and we start getting out immediately. In this case, we will do our best to pace ourselves to get the best exit prices but priority will be given to fast execution. At the end of each day, instructions will be given to your broker to convert the sale proceeds into US\$. Our aim will be to have 50% to 100% of your funds in US\$ by the end of the liquidation period.

In case we exit our positions, we will be sending you final statements as soon as all our positions are exited. If the need does not arise to do that, we will be sending out our Q1 2011 newsletter as usual at the end of the quarter.

Thank you and best regards,
Mohamed El Hawary
Managing Director
Andalucia Financial Consultancy and Investment



email: mohamed.hawary@andaluciafinancial.com
website: www.andaluciafinancial.com