



Manager's Commentary

Profit taking in Saudi Arabia was a drag on the regional market performance with S&P GCC index declining by 0.7% in February. Saudi Arabia declined by 1.6% mainly driven by financials which account for approximately 40% of the Saudi index. On the other hand Qatar advanced 1.8% during the month, this was mainly attributable to investors gaining exposure to the market in anticipation of passive inflow from FTSE emerging market funds. Rest of the markets were range bound.

Your fund appreciated by 1.5% while the corresponding index declined by 0.7%. Increase in share price of Aramex, SIIG and Saudi Electricity contributed to the outperformance during the month. Share price of Aramex increased by 10% when the company reported earnings which were well above consensus estimates. The earnings beat was due to its international express segment which reported increase in revenue of 30% YoY. The share price of SIIG increased 13% during the month due to significant increase in the price of styrene and Benzene in February. In addition the company restored its dividends during the month, and we expect the dividends to increase going forward due to cash flows generated by its subsidiaries.

Although OPEC has been surprisingly disciplined in curtailing output, the price of oil continues to be range bound due to increase in supply from US, Canada, Nigeria and Iran. This impasse has capped the upside potential of regional markets and its likely to be a drag on investor sentiment in the near term. Despite the uncertainty, we intend to maintain the current composition of the portfolio.

Investment Objective

The Fund seeks long-term capital appreciation by investing principally in equity securities listed on the stock markets of GCC countries.

Returns (%)	Fund	Index*
Feb 2017	1.5	-0.7
YTD (Feb17)	2.9	0.9
2016	5.8	8.5
2015	-6.2	-14.6
2014	4.7	0.6
Last 3 Months	7.2	5.1
Last 6 Months	10.2	11.5
Last 1 Year	18.7	17.9
Last 3 Years	0.4	-12.5
Last 5 Years	35.7	19.8
Last 10 Years	69	15.2
Since Inception (March 04 to Feb 2017)	197.3	117.5

* S&P GCC Total Return Index

Fund Information

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10%
Subscription & Redemption	Weekly
Dealing Day	Thursday
Subscription & Redemption Dead-line	Two Business days before dealing day
Minimum Subscription	USD 100,000
Bloomberg Code	KHALEQY BI Equity
Fund ISIN Code	BH000A1CZ8W7
Custodian / Administrator	HSBC Bahrain

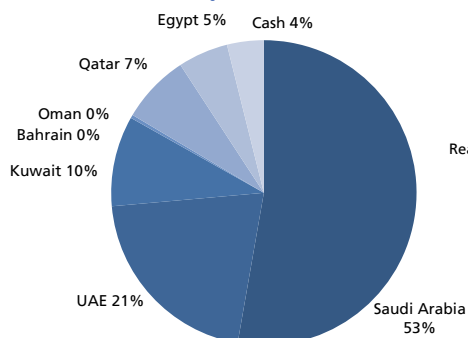
Top Holdings

Name	Country	(%)
Saudi Electricity	KSA	7.0
SIPCHEM	KSA	6.5
Al Rajhi	KSA	5.8

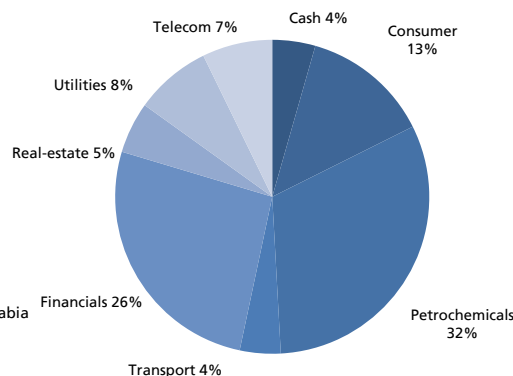
Risk Statistics (last 5 years)

Standard Deviation (%)	15.3
Sharpe Ratio	0.2
Tracking Error (%)	4.5
Information Ratio	1.5
Alpha (%)	6.4
Beta	0.9

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price to Earnings Multiple TTM (x)	17.3	15.4
Price to Book Multiple Latest (x)	1.6	1.5
Return on Equity TTM (%)	9.2	9.5
Dividend Yield—2015 (%)	2.7	3.7
Number of Holdings	33	300
Annualized Return (%) - Last 5 years	6.3	3.7
Annualized Standard Deviation (%) - Last 5 years	15.3	16.7
Largest Monthly Gain (%) - Last 5 years	12.0 (April 15)	11.2 (April 15)
Largest Monthly Loss (%) - Last 5 years	-12.9 (Aug 15)	-13.0 (Aug 15)
% Positive Months (%)	56	54
Success Ratio (%) - Last 5 years	46	NA
Latest Drawdown-Peak to Trough (%)	-29.2	-40.2
Duration of Drawdown (months)	17mths (Aug 14 to Jan 16)	17mths (Aug 14 to Jan 16)
Recovery from Latest Drawdown (%)	22.0 (Feb 16 to Feb 17)	22.6 (Feb 16 to Dec 16)

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