

Khaleej Equity Fund

Fact Sheet - January 2016



NAV US\$ 243.68 ↓ 10.8 %

Manager's Commentary

The regional markets along with rest of global markets experienced significant correction in January. In the first two weeks of the month, the regional index dropped as much as 20%, however markets recovered in the last week to end the month with a 11% decline in the S&P GCC index. Concerns on the health of Chinese economy coupled with persistent drop in price of oil continued to be the main themes behind the poor performance. The Saudi market was the worst affected dropping by 13%, while others lost around 5-10%.

During the month your fund declined by 10.8%, which was almost in line with the index. Performance of the fund was impacted by its exposure to the consumer sector. The consumer companies such as Almari and Nadec had fared well till January but experienced aggressive selling on the back of the substantial impact of the hike in electricity and worries over the potential increase in cost of animal feed. Historically consumer companies have been able to maintain very healthy gross margins despite very limited price increases mainly due to direct and indirect subsidies. However, regardless of the future movement in price of oil, it is clear that the regional governments are keen to reduce the subsidies and increase the proportion of non-oil revenue, and we believe governments would be reticent to increase the burden on the consumers and may force the consumer companies to absorb substantial portion of the potential cost increase.

The fundamentals driving the regional economies are in a state of flux due to low oil price, fiscal tightening and developments in China. Given this environment we have resolved to focus our investments in large companies with healthy balance sheets and sustainable cash flow. During the month we have reduced our exposure to consumer sector in Saudi Arabia and increased our allocation to companies listed in the UAE. Currently the fund has a cash allocation of 10% due to rebalancing of the portfolio and we intend to tactically deploy the cash in the near future.

Investment Objective

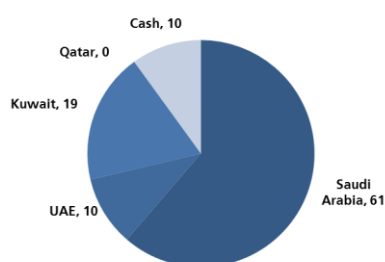
The Fund seeks long-term capital appreciation by investing principally in equity securities listed on the stock markets of GCC countries.

Returns (%)

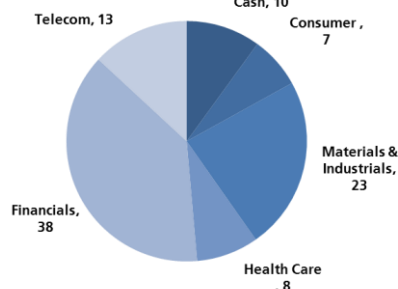
	Fund	Index*
Jan 2016	-10.8	-10.7
2015	-6.2	-17.4
2014	4.7	-2.5
2013	28.4	25.0
2012	5.9	3.2
2011	-5.9	-8.2
2010	14.1	12.8
2009	16.9	14.1
2008	-33.9	-55.3
2007	43.9	35.4
2006	-13.9	-40.2
Last 3 months	-13.6	-14.9
Last 6 months	-26.8	-28.3
Last 1 year	-17.7	-28.3
Last 3 years	5.8	-13.9
Last 5 years	16.6	-12.6
Last 10 years	19.4	-62.9
Since Inception(Mar04-Jan16)	143.7	15.9

* S&P GCC Composite Index

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	11.2	12.6
Price to Book Multiple Latest (x)	1.4	1.2
Return on Equity TTM (%)	11.8	10.5
Dividend Yield - 2014 (%)	4.6	4.6
Number of Holdings	31	276
Annualized Return (%) - Last 5 years	3.1	-2.7
Annualized Standard Deviation (%) - Last 5 years	15.3	15.9
Largest Monthly Gain (%)	14.8 (Mar 05)	17.6 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 8)	-24.7 (Oct 08)
% of Positive Months	58	55
Maximum Drawdown-Peak to Trough (%)	-29.2	-42.2
Length of Drawdown (months)	17	19
Recovery from Maximum Drawdown (%)	0	0

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Fund Information

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10%
Subscription & Redemption	Weekly
Dealing Day	Thursday
Subscription & Redemption Deadline	Two Business Days before Dealing Day
Minimum Subscription	US\$100,000
Bloomberg Code	KHALEQY BI
Fund ISIN Code	BH000A1CZ8W7
Custodian/ Administrator	HSBC, Bahrain

Top Holdings

Name	Country	(%)
Viva Kuwait	Kuwait	7.8
Samba	Saudi	7.4
Al Rajhi	Saudi	6.5

Risk Statistics (Last 5 years)

Annualized Standard Deviation (%)	14.7
Sharpe Ratio	0.11
Tracking Error (%)	4.2
Information Ratio	1.3
Alpha (%)	5.7
Beta	0.9

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