

Manager's Commentary

In July Saudi Arabia declined by 4% on the back of the 8% rally in June. Anecdotal evidence indicated that in June the gains in the Saudi market were driven by USD2.5bn of investments from government-linked funds. However, in July, inflow from government related entities dropped to USD 0.4bn. Qatar and Dubai on the other hand were up 4% and 7% respectively. Gains in Qatar were driven by the large cap banks, while the gains in Emaar mainly contributed to the increase in the Dubai market.

During the month, your portfolio was in line with the index. Although the Saudi market experienced profit taking during the month; a number of our investments positively contributed to the fund after reporting better than expected earnings for the 2nd quarter. However, the index benefited from a 4% rebound in the Qatari market. In the tail end of the US Secretary of States trip to the region in July, there were indications that he was making progress in resolving the regional conflict involving Qatar; this induced foreign investors to increase exposure to Qatar- resulting in a rebound in the market in Doha.

We believe the market and the rating agencies are optimistic on Qatar's financial strength to weather the challenges posed by the recent political developments in the region, and anticipated drop in its revenue due to the declining price of LNG. An economy such as Qatar which is highly dependent on imports and remittances, would find it very difficult to manage its USD liquidity given its foreign reserves are only about 15% of its money supply (M2). The Qatari Central Bank's net international reserves fell by USD 10.4 billion in June to USD24.4 billion. Qatari Central Bank claims that Qatar Investment Authority (QIA) assets are approximately USD 300bn. However it is pertinent to note that most of these assets are illiquid and a significant portion of it is based in Qatar. They include QIA's investments in QNB and Qatar Airways. Hence in the time of stress, true marketable value of these assets is very likely to be well below the stated value. In addition, it is very probable that some of these sovereign assets are backed by debt. Over the past three years, we have had very limited allocation to Qatar, and we intend to maintain this strategy going forward.

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*
July 2017	0.0	0.0
YTD (July17)	4.7	3.6
2016	5.8	8.5
2015	-6.2	-14.6
2014	4.7	0.6
Last 3 Months	-0.6	2.2
Last 6 Months	3.4	2.0
Last 1 Year	9.7	13.6
Last 3 Years	-6.7	-19.8
Last 5 Years	43.6	27.6
Last 10 Years	47.8	9.4
Since Inception (March 04 to July 2017)	202.8	123.2

* 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

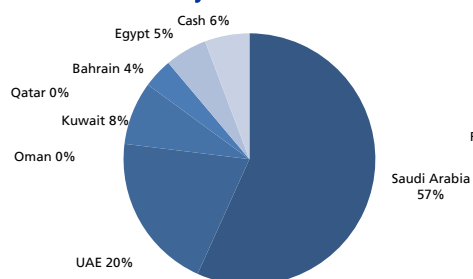
Top Holdings

Name	Country	(%)
Emaar	UAE	6.8
Zain Saudi	KSA	6.4
SADAFCO	KSA	6.0

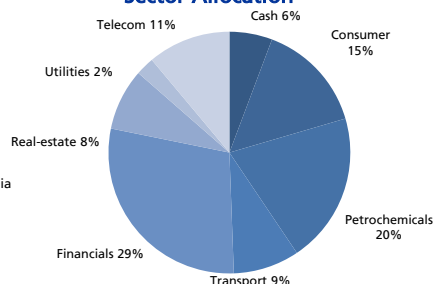
Risk Statistics (last 5 years)

Standard Deviation (%)	14.8
Sharpe Ratio	0.3
Tracking Error (%)	4.6
Information Ratio	1.7
Alpha (%)	7.0
Beta	0.9

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price to Earnings Multiple TTM (x)	14.2	15.4
Price to Book Multiple Latest (x)	1.5	1.5
Return on Equity TTM (%)	10.6	9.8
Dividend Yield—2016 (%)	3.2	3.7
Number of Holdings	30	300
Annualized Return (%) - Last 5 years	8.1	5.3
Annualized Standard Deviation (%) - Last 5 years	14.8	15.8
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 (%)	23.0 (Feb 16 to June 17)	25.8 (Feb 16 to June 17)

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Securities & Investment Company BSC (c)
P.O. Box 1331, Manama, Kingdom of Bahrain
Tel: +973 1751 5000 Fax: +973 1751 4000
CR No: 33469
www.sicobahrain.com

شركة الأوراق المالية والاستثمار ش.م.ب (م)
ص.ب: 1331، المنامة، مملكة البحرين
هاتف: +973 1751 5000 فاكس: +973 1751 4000
سجل تجاري رقم 33469

بنك استثماري
Investment Bank **sico**

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