

Manager's Commentary

Lower trading volumes and volatile oil prices negatively impacted regional markets with the S&P GCC index falling by 1%. Saudi Arabia and Dubai were the main contributors to the decline, as both markets fell by approximately 2.5%. The petrochemical sector was the biggest drag on the Saudi Index, while the fall in share price of large caps weighed down the Dubai market.

The fund fell by 3.4% in May, while the benchmark fell by 1.1%. The main contributor to this month's underperformance was the fund's investment in the petrochemical sector. During the month, the share price of petrochemical companies steeply declined due to significant volatility in the price of oil and lower than expected earnings attributed to one off impairments. Furthermore, the fund had limited exposure to the Saudi consumer sector, which significantly outperformed expectations during the month. Zain Saudi, one of the fund's top performers, fell 10% during the month following the company's announcement that Saudi Fransi had been brought on board for the purpose of restructuring capital.

We believe the level of decline experienced by the petrochemical sector to be unjustified given the underlying fundamentals. In addition, we are of the opinion that the market is overly optimistic on the prospects for consumer companies, particularly given that VAT will be introduced in the GCC in 2018. Hence, we intend to largely maintain our portfolio composition and expect our investments to recover as the trading volumes return after the Eid holidays.

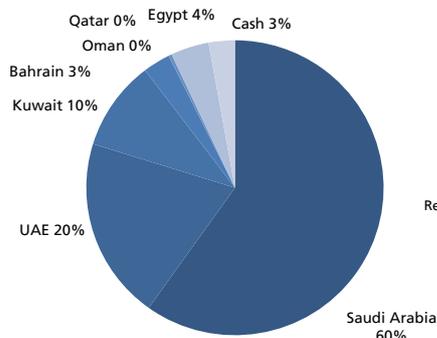
Investment Objective

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

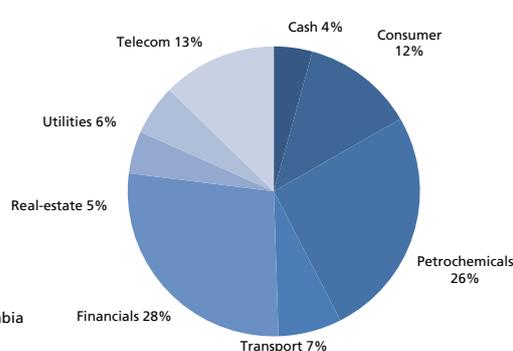
Returns (%)	Fund	Index*
May 2017	-3.4	-1.1
YTD (May17)	1.8	0.3
2016	5.8	8.5
2015	-6.2	-14.6
2014	4.7	0.6
Last 3 Months	-1.0	-0.7
Last 6 Months	6.1	4.5
Last 1 Year	8.8	11.4
Last 3 Years	-8.5	-21.8
Last 5 Years	39.4	21.8
Last 10 Years	49.1	7.4
Since Inception (March 04 to May 2017)	194.2	116

* S&P GCC Total Return Index

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price to Earnings Multiple TTM (x)	16.6	14.7
Price to Book Multiple Latest (x)	1.5	1.4
Return on Equity TTM (%)	9.3	10.0
Dividend Yield—2016 (%)	3.2	3.7
Number of Holdings	30	300
Annualized Return (%) - Last 5 years	6.9	4.0
Annualized Standard Deviation (%) - Last 5 years	14.9	16.1
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 (%)	20.0 (Feb 16 to May17)	21.1 (Feb 16 to May 17)

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	(%)
Zain Saudi	KSA	6.3
SABIC	KSA	6.2
SADAFCO	KSA	5.9

Risk Statistics (last 5 years)

Standard Deviation (%)	14.9
Sharpe Ratio	0.3
Tracking Error (%)	4.6
Information Ratio	1.4
Alpha (%)	6.3
Beta	0.9

Securities and Investment Company BSC (c) claims compliance with the Global Investment Performance Standards (GIPS®). Securities and Investment Company BSC (c) (also known as SICO) is a closed joint stock company registered in Bahrain and operates a wholesale banking license from the Central Bank of Bahrain. The company is registered with the Ministry of Industry and Commerce and is listed on the Bahrain Stock Exchange as a closed company. To receive a list of composite descriptions and/or a presentation that complies with the GIPS standards, write to assetmanagement@sicobahrain.com, or call 973 17 515000.

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 sico
 Investment Bank

This report should not be considered an offer to sell, or a solicitation to buy, shares mentioned herein. Past performance is no indication of future results. Fund historical performance does not promise the same or similar results in the future. Principal value, share prices and investment returns fluctuate with changes in market conditions. The information contained herein has been compiled from sources believe to be reliable; however Securities & Investment Company ("SICO") does not guarantee its accuracy or completeness. Opinions, forecasts and estimates constitute our judgment as of the date of this report and are subject to change without notice. This report is not a solicitation of an order to buy or sell securities or to provide investment advice or service. SICO or its affiliates may from time to time engage in long or short positions in the securities mentioned herein. SICO or its affiliates may act as principal, agent or market maker or provide other services to the issuers of securities mentioned herein. This report is provided for information purposes only and may not be copied or distributed to any other person without the prior written consent of SICO.