

## Manager's Commentary

All the GCC markets posted positive gains for May, led by the Abu Dhabi and Dubai markets with returns of 17.2% and 17.1% respectively. With the exception of Saudi, all GCC markets posted their highest monthly returns in 2007. Bahrain recovered from its negative returns last month to post a 9.7% gain for the month.

Khaleej Equity Fund continued its progress and appreciated by 7.7% during the month – its sixth consecutive month of positive returns and the highest monthly return in 2 years. Despite the range-bound performance of many GCC markets until May, your fund has been posting positive and steady returns during the period due to our bottom-up stock picking strategy. During May, the real estate sector saw strong buying interest as stocks like Emaar (+13%), Al Dar (+46%) and Arabtec (+29%) appreciated in value and contributed to the fund's positive performance.

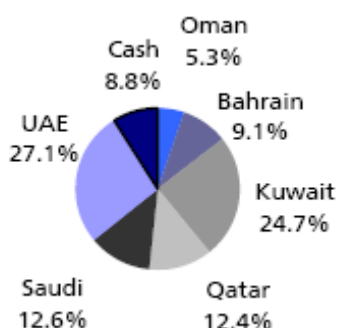
The fund gained from our exposure to Qatar mainly through Qatar National Bank (+14%). In addition to improving asset quality and rising profitability, we feel the bank's newly-formed Islamic banking unit will contribute strongly towards the bottom line.

In Kuwait and the UAE, we increased our exposure to UGB and ADIB respectively as their business models and fundamentals continue to look attractive.

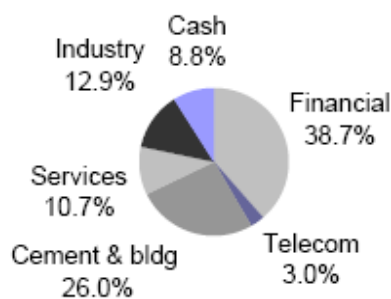
### Fund Statistics

Price Earnings Multiple 2007 (x)	9.7
Dividend Yield 2006 (%)	3.6
Number of Holdings	40
Annualized Return (%)	23.9
Largest Monthly Gain (%)	14.7% (Mar 05)
Largest Monthly Loss (%)	-8.2% (May 06)
% of Positive Months	69.2
Annualized Standard Deviation (%)	16.3
Sharpe Ratio	1.17
Maximum Drawdown (%)	-21.8

### Country Allocation



### Sector Allocation



\* For further information contact Marketing at: [marketing@sicobahrain.com](mailto:marketing@sicobahrain.com)

## Investment Objective

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

### Fund Returns (%)

	Fund	MSCI GCC Index
May 2007	7.7	9.1
Year to Date 2007	15.1	12.2
Last 3 months	12.2	9.7
Last 6 months	18.9	13.6
Last 12 months	19.8	-7.4
2006	-13.9	-45.9
2005	56.8	na*
2004 (April – Dec)	27.0	na*
Since Inception	97.4	na*

\* Benchmark was launched in June 2005

### Top Holdings

Name	Country	(%)
Emaar Properties	UAE	8.4
SABIC	Saudi Arabia	6.8
Burgan Bank	Kuwait	4.7

### Fund Information

Launch Date	March 15, 2004
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Monthly
Subscription Deadline	Five Business days before month end
Redemption Deadline	Ten Business days before month end
Minimum Subscription	US\$100,000
Reuters Code	<SIC0>
Bloomberg Code	KHALEQY BI
Fund Listing	Bahrain Stock Exchange
Custodian	Gulf Clearing Company

### Management Team

Shakeel Sarwar  
 Naveed Ahmed, CFA  
 Serkan Altay  
 Faisal Jiwani  
 Khair Fakhro  
 Hasan Haider

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.sico-bahrain.com](http://www.sico-bahrain.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