

Khaleej Equity Fund

Fact Sheet - November 30, 2007

NAV US\$225.51 ↑ 1.3%

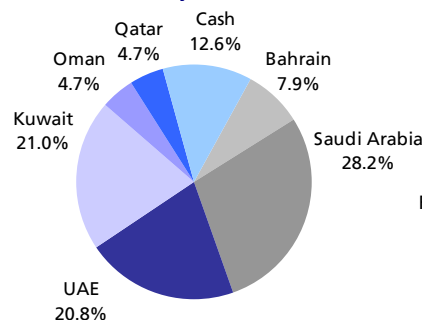
Manager's Commentary

After an upbeat performance last month, the GCC markets produced mixed results in November. Gains in SABIC, STC and banking stocks lifted the Saudi market by 9.8%. Industrial shares surged as oil continued to trade at all-time high levels. The market also rallied ahead of the release of the government budget. Other GCC markets such as Oman (5.3%) and Dubai (1.4%) also finished off with positive returns. However, the Kuwaiti market remained within a tight bearish grip, losing 5.6%. The Bahraini market relapsed by 2.0%, while profit taking in Industries Qatar and QNB drove the Qatari market down by 0.6%.

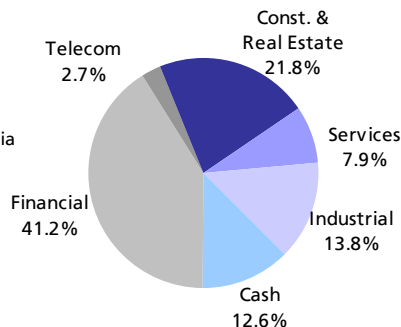
The Khaleej Equity Fund appreciated by 1.3% for the month. In contrast, the MSCI GCC Index went up by 0.4%. Our investment in Saudi stocks steered the fund in a positive direction. Both Riyadh Bank and Al Jazira Bank contributed significantly with returns of 25% and 21% respectively. On the contrary, Kuwaiti and the UAE stocks restrained higher returns for the fund. Emaar Properties, our top holding, lost 4% after the company put a \$11.2bn project in Saudi Arabia on the back burner. Exposure to the sub-prime mortgage crisis through Emaar's US subsidiary, also tainted the stock's performance. However, we believe the impending IPO in India and strong growth in other units will far outweigh sub-prime concerns. Another top holding, Agility, lost 18% after posting a 14% decline in third quarter earnings to KWD 39m on a yearly basis. Also investors have exerted selling pressure as they seem less confident of Agility's diversification venture into telecoms. Nonetheless, we maintain our view that the stock is undervalued. The recent acquisition of an estimated US\$ 25.7m contract would serve as a good breakthrough in the stock's performance. This contract will support US Air Force Base Service Operations in Kyrgyzstan.

During the month, we built a position in Saudi equities including Saudi Cable, Savola and Jarir Marketing. These companies have sound business models and a proven track of strong earnings growth. We also increased our exposure in financial stocks. On the other hand, we booked profits in Saudi Research and Marketing Group, Emaar Properties and a few banking stocks in Abu Dhabi. These transactions resulted in a total cash allocation of 12.6% at the end of the month, in line with our strategy to reserve 10-15% cash.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2007 (x)	12.3
Dividend Yield 2006 (%)	3.7
Number of Holdings	47
Annualized Return (%)	25.0
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-8.2 (May 06)
% of Positive Months	73
Maximum Drawdown- Peak to Trough (%)	21.8
Length of Drawdown (months)	10
Time to Recovery (months)	12

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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
November 2007	1.3	0.4
Year to Date 2007	31.6	26.2
Last 3 months	10.3	8.9
Last 6 months	14.3	12.5
Last 12 months	35.8	27.8
2006	-13.9	-45.9
2005	56.8	na*
2004 (April - Dec)	27.0	na*
Since Inception	125.5	na*

* Benchmark was launched in June 2005

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	<SICO>
Bloomberg Code	KHALEQY BI
Zawya Code	SICOKEF.MF
Fund Listing	Bahrain Stock Exchange
Custodian	Gulf Clearing Company

Top Holdings

Name	Country	(%)
Emaar Properties	UAE	7.7
SABIC	Saudi	5.6
Agility	Kuwait	4.3

Risk Statistics

Annualised Standard Deviation (%)	15.2
Sharpe Ratio	1.3
Information Ratio	0.55
Beta	0.47
Alpha (%)	14.9

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