

Khaleej Equity Fund

Fact Sheet - October 31, 2008

NAV US\$176.69 ↓ 20.3%

Manager's Commentary

The GCC bourses continued their descent and experienced one of the highest monthly declines in recent times. Saudi Arabia, Dubai, Oman, Qatar and Kuwait lost over 20% whereas Abu Dhabi and Bahrain declined by 15.9% and 9.8%, respectively. By and large, the gulf markets continued to mirror the performances of other international markets, a trend which has become quite evident during the last few months. Even the multi billion dollar bailout packages announced by leading countries failed to boost investor confidence. Resultantly markets continued to witness high volatility due to the lurking uncertainty regarding the extent and length of global economic slowdown. The MSCI GCC index fell 24.5% for the month taking its year to date decline to 45.8%.

Majority of the emerging markets also witnessed a severe correction during October with the MSCI Emerging markets index dropping 27.5%. Interestingly, this decline was not confined only to equities but spread to other asset classes including commodities as well. Oil prices fell below US\$60/barrel while fertilizer, steel and petrochemical related commodities cooled off significantly on concerns of lower demand as a result of a slowdown in the major economies.

In such a backdrop, the NAV of Khaleej Equity Fund declined by 20.3% for the month. Despite the fact that your fund is down 28.4% for the year, it has significantly outperformed the benchmarks as well majority of its peers. During the month, we exited stocks where we believe the downside risks have increased such as petrochemical companies, UAE based real estate companies and selected financial companies which have a high dependence on investment income. Consequently, the cash allocation of the fund increased to 43% as at the end of October 2008. We will be deploying this cash in defensive stocks once volatility of the GCC markets subside. We continue to remain optimistic on telecom, building materials and consumer staples companies which should outperform in this current market environment.

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 (%)

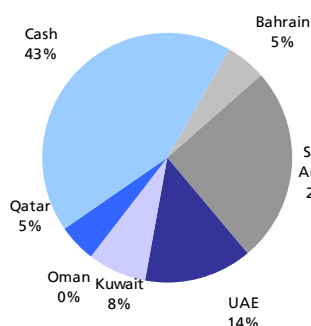
	Fund	MSCI GCC Index*
October 2008	-20.3	-24.5
YTD 2008 (Jan-Oct 08)	-28.4	-45.8
Last 3 months	-36.3	-37.2
Last 6 months	-37.1	-43.0
Last 12 months	-20.6	-37.9
2007	43.9	44.1
2006	-13.9	-45.9
2005	56.8	77.5
2004 (Apr - Dec)	27.0	41.1
Since Inception (Apr 04- Oct 08)	76.7	5.7

* Prior to July 2005, a domestic GCC index is used to compute benchmark returns

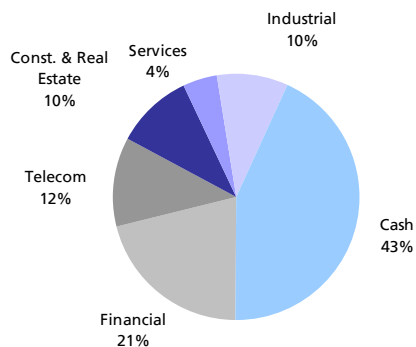
Fund Information

Launch Date	March 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	LP65038262
Bloomberg Code	KHALEQY BI
Zawya Code	SICOKEF.MF
Fund Listing	Bahrain Stock Exchange
Custodian/ Administrator	HSBC Middle East, Bahrain

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	8.0
Price to Book Multiple Latest (x)	1.8
Dividend Yield 2007 (%)	4.9
Number of Holdings	32
Annualized Return (%)	13.2
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	67
Maximum Drawdown- Peak to Trough (%)	37.9
Length of Drawdown (months)	5
Time to Recovery (months)	na

Top Holdings

Name	Country	(%)
Qatar Telecom	Qatar	4.6
Etihad Etisalat	Saudi	3.9
Saudi Telecom	Saudi	3.4

Risk Statistics

Annualised Standard Deviation (%)	19.8
Sharpe Ratio	0.41
Information Ratio	0.72
Beta	0.57
Alpha (%)	10.4

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