

Khaleej Equity Fund

Fact Sheet - March 31, 2008

NAV US\$261.60 ↓ 3.4%

Manager's Commentary

The GCC markets were swept away by another wave of negative sentiment during March, as evident by a 10% decline in the MSCI GCC index. Investors became increasingly risk averse and resorted to preserving capital in the aftermath of softening global economy. Regional factors, such as the uncertainty surrounding currency revaluation and rising inflationary pressures also undermined investor confidence. This was particularly true for the local retail investors in the Saudi market, as the Tadawul index lost 12%. Dubai and Qatar declined by 10% and 9% respectively, as rest of the markets followed suit. Conversely, the official price weighted KWSE index gained 2%. However, the MSCI Kuwait index, a free float market cap weighted index, which we believe better represents the Kuwaiti market, dropped by 9% echoing the weakness in the regional markets.

Although the GCC markets were down 13% since the beginning of the year, the regional economic outlook is far from gloomy. Oil prices continue to hover above \$100 per barrel while an estimated \$2trn worth of regional projects underway are bound to spur economic activity. More importantly, the GCC markets are trading at reasonable levels with average P/E of around 15-16x based on 2007 earnings. Furthermore, even by conservative estimates, corporate earnings are expected to increase by at least 10-20% during 2008 making the valuations all the more attractive. Therefore, we believe the markets will not remain negatively inclined for long. In fact, in the short term, Q1 results are likely to trigger a rally.

In contrast to the 10.3% drop in the MSCI GCC index, the NAV of Khaleej Equity Fund decreased by only 3.4%. We reigned in losses by carefully executing our stock selection and asset allocation strategy. The inflow of dividends also benefited the fund. Note that the dividend yield for our fund stands at 3.7% vs. 2.4% for the GCC markets. However, we did not remain complacent with the dividend gains. We viewed market corrections as a good opportunity and actively invested cash by increasing our exposure in select stocks in Saudi and the UAE markets. Hence, our net cash allocation was reduced to 5% from 11% in February. We also booked profits in some Kuwaiti equities during the month. Our strategy for next month would be to focus on exploiting the current prices that continue to look attractive.

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
March 2008	(3.4)	(10.3)
Year to Date 2008	6.1	(13.0)
Last 3 months	6.1	(13.0)
Last 6 months	26.2	8.9
Last 12 months	46.7	24.8
2007	43.9	44.1
2006	(13.9)	(45.9)
2005	56.8	77.5
2004 (Apr - Dec)	27.0	41.1
Since Inception (Mar'04-Mar '08)	161.6	69.7

* Prior to 2005, a domestic GCC index was used

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	LP65038262
Bloomberg Code	KHALEQY BI
Zawya Code	SICOKEF.MF
Fund Listing	Bahrain Stock Exchange
Custodian/ Administrator	Gulf Clearing Company

Top Holdings

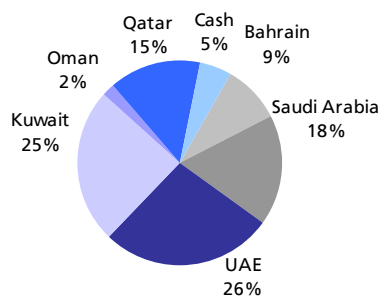
Name	Country	(%)
Emaar Properties	UAE	6.9
Kuwait Projects Company	Kuwait	5.6
Arabtec	UAE	5.5

Risk Statistics

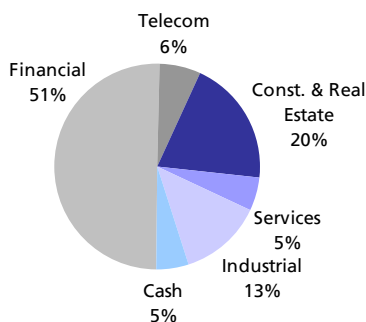
Annualised Standard Deviation (%)	15.5
Sharpe Ratio	1.43
Information Ratio	0.75
Beta	0.46
Alpha (%)	18.0

For further information contact: assetmanagement@sicobahrain.com

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2007 (x)	12.9
Price to Book Multiple 2007 (x)	2.9
Dividend Yield 2007 (%)	3.7
Number of Holdings	39
Annualized Return (%)	27.2
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

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

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