

Khaleej Equity Fund

Fact Sheet - August 31, 2009

NAV US\$ 198.54 ↑ 1.8%

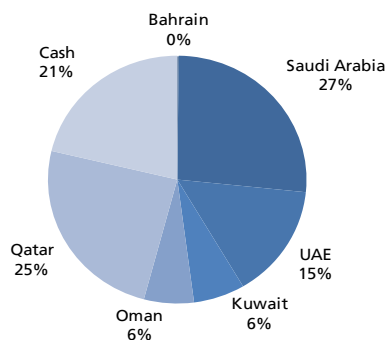
Manager's Commentary

The Gulf markets continued their steady performance during the month. Trading volumes were low as retail investors remained on the sidelines. With the exception of Saudi Arabia which declined by 2%, the other GCC markets posted positive returns. Tadawul's overall performance was impacted by the decline in the banking sector. Oman was the best performing bourse (+8.5%) as large cap stocks saw renewed buying interest. Qatar was up 6.1% as banking stocks appreciated in value.

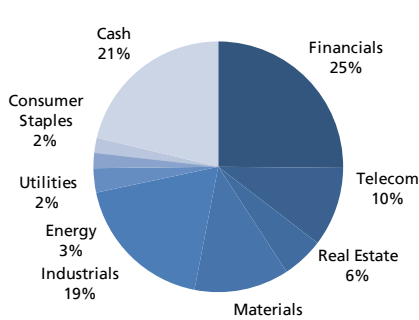
The NAV of Khaleej Equity Fund increased by 1.8% for the month, extending its year to date return to 21.8%. The MSCI GCC index was up 3.0% for the month and 20.0% for the year. The fund benefited from the rise in Qatari and UAE holdings that attracted investor interest due to their cheap valuations. On the other hand, the benchmark primarily benefited from its large weight in Zain. Zain's share price increased by 20.6% as investors continued to react on rumors regarding the possible sale of stake.

During the month, we trimmed our exposure to stocks that had risen sharply and were trading close to their target prices. We would taking advantage of any dips in the markets by deploying cash in fresh investment ideas that we have recently identified. We continue to believe that the regional markets are attractively valued and are expected to gather momentum post Eid. The GCC markets have significantly underperformed the emerging markets for the year (GCC +20% vs EM +55%), which we believe is unjustified given the strong underlying fundamentals of the region. In addition, earnings numbers for the third and fourth quarters are expected to be significantly better than the previous year due to the low base effect, which should trigger buying into the regional markets.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	9.5
Price to Book Multiple Latest (x)	2.0
Dividend Yield 2008 (%)	5.3
Number of Holdings	36
Annualized Return (%)	13.5
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	65
Maximum Drawdown- Peak to Trough (%)	47.4
Length of Drawdown (months)	9
Time to Recovery (months)	na

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
Aug 2009	1.8	3.0
YTD 2009 (Jan - Aug '09)	21.8	20.0
Last 3 months	3.5	3.7
Last 6 months	32.7	47.2
Last 1 year	-22.5	-38.3
Last 3 years	17.4	-36.9
Last 5 years	75.6	-5.9
2008	-33.9	-57.0
2007	43.9	46.6
2006	-13.9	-45.8
2005	56.8	80.8
2004 (Mar - Dec)	27.0	43.3
Since Inception (Mar 04- Aug09)	98.5	6.2

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

Top Holdings

Name	Country	(%)
Industries Qatar	Qatar	5.3
Saudi Cables	Saudi	3.7
Qatar Islamic Bank	Qatar	3.5

Risk Statistics

Annualised Standard Deviation (%)	19.8
Sharpe Ratio	0.4
Information Ratio	0.7
Beta	0.6
Alpha (%)	10.8

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