

Khaleej Equity Fund

Fact Sheet - August 31, 2010

NAV US\$ 191.04 ↓ 0.5%

Manager's Commentary

Global markets experienced higher volatility on renewed concerns regarding the slowdown in global economic recovery which was supported by reports of a deceleration in China's economic activity and weak US housing data. On the regional front, the overlap of Ramadan and summer combined with the lack of positive triggers led to the lowest volumes seen in recent times for some of the markets. Kuwait was once again the best performing market with the market cap weighted index increasing by 4.0%. This was on the back of speculation that the government would guarantee banks to fund key development projects, resulting in the share prices of most financials to increase by 20-30% during the month. Qatar and Bahrain were up in the range of 2-3% as buying interest was seen in selected stocks. On the other hand, Saudi Arabia was down 2.8% on modest declines in the petrochemical sector stocks. Dubai and Abu Dhabi declined by 2% on extremely low volumes while Oman was sideways.

On the back of mixed performances by regional markets, the fund was down 0.5% as compared to 0.3% decline in the benchmark. While the fund benefited from its high allocation in Qatar (where stocks were up around 5-10%), the modest declines in Saudi equities restricted the overall fund's performance. The rise in Kuwaiti equities was the biggest positive contributor to the benchmark (1.3% to the overall benchmark's return). Excluding Kuwait, the benchmark would have declined by 1.6% in August. We believe the sudden rise in Kuwaiti financials is premature as no official announcement has been made on the Government guarantee. In addition, not only are banks trading at a premium to regional peers, but also this latest development, if confirmed would translate into improved profitability only in next 2-3 years.

With the end of Ramadan, investor activity should improve, resulting in the markets trending upwards. We are in the process of positioning our portfolio to take advantage of any potential rally post Ramadan.

Investment Objective

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

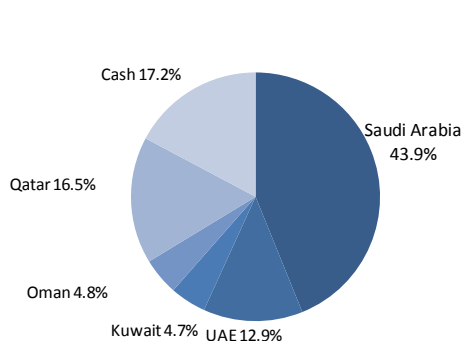
Fund Returns (%)

	Fund	MSCI GCC Index*
Aug 2010	-0.5	-0.3
YTD 2010 (Jan - Aug)	0.2	6.2
2009	16.9	22.9
2008	-33.9	-55.8
2007	43.9	51.7
2006	-13.9	-43.6
2005	56.8	80.8
2004 (Mar - Dec)	27.0	43.3
Last 3 months	-0.3	3.6
Last 6 months	-2.9	1.0
Last 1 year	-3.8	4.3
Last 3 years	-6.5	-27.7
Last 5 years	-3.2	-47.6
Since Inception (Mar 04-Aug10)	91.0	27.8

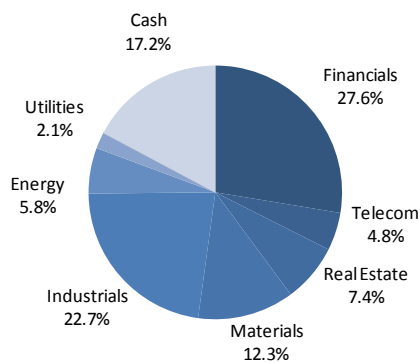
*This refers to MSCI GCC USD Total Return Gross

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Weekly
Subscription Deadline	Two Business days before Dealing Day
Redemption Deadline	Two Business days before Dealing Day
Minimum Subscription	US\$100,000
Reuters Code	LP65038262
Bloomberg Cod	KHALEQY BI
Zawya Code	SICOKEF.MF
Fund ISIN Code	BH000A1CZ8W7
Custodian/ Administrator	HSBC Middle East, Bahrain

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	12.1
Price to Book Multiple Latest (x)	2.0
Dividend Yield 2009 (%)	3.7
Number of Holdings	32
Annualized Return (%)	10.8
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	62
Maximum Drawdown- Peak to Trough (%)	47.4
Length of Drawdown (months)	9
Recovery from recent trough (%)	27.7

Top Holdings

Name	Country	(%)
Saudi Basic Industries	Saudi	4.9
Etihad Etisalat	Saudi	4.5
Saudi Arabia Amiantit	Saudi	4.4

Risk Statistics

Annualised Standard Deviation (%)	19.7
Sharpe Ratio	0.3
Information Ratio	0.5
Beta	0.6
Alpha (%)	6.3

For further information contact: assetmanagement@sicobahrain.com

Securities & Investment Company BSC (c)
P.O. Box 1331, Manama, Kingdom of Bahrain
Tel: +973 1751 5000 Fax: +973 1751 4000
CR No: 33469

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