

Khaleej Equity Fund

Fact Sheet - August 2011

NAV US\$ 198.91 ↓ 3.8%

Manager's Commentary

August was dominated by concerns regarding a slowdown in the US following weak economic data. The Euro zone debt contagion and S&P's downgrade of US debt rating from AAA to AA+ compounded investor concerns. As a result, international markets fell sharply affecting the performance of the regional markets. Within the region, the Saudi market was the worst performer, dropping 6.5% amidst sharp declines in petrochemical and industrial sector stocks. Kuwait declined 3.2% while Bahrain and Dubai fell in the range of 1-3%. Oman and Qatar declined marginally as local buying flows supported these markets.

The NAV of the fund retreated by 3.8% for the month compared to 4.9% decline in the benchmark. Stocks declined on low volumes given lack of investor interest during the holy month of Ramadan. The fund fared well in comparison to the benchmark due to a combination of good asset allocation and superior stock selection. Specifically, it benefited from the underweight exposure to Saudi Arabia and Kuwait, which were the worst performing GCC markets. Furthermore, good stock selection and an overweight position in Qatar also aided to the outperformance.

In the short term, we are cautious and expect market volatility to remain high. Investors will be keeping an eye on the progress of both the US economy and the Euro Debt situation. In this environment, we do not anticipate any positive trigger in the short term and therefore would look to invest in defensive companies that offer high dividends. The medium to long term prospects remain encouraging given the strong underlying fundamentals of the region

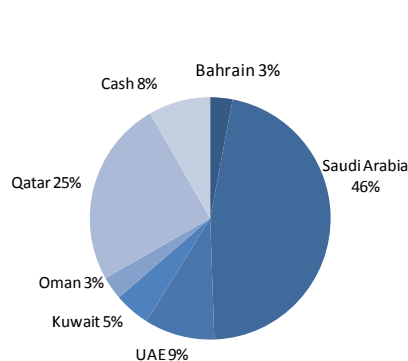
Investment Objective

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

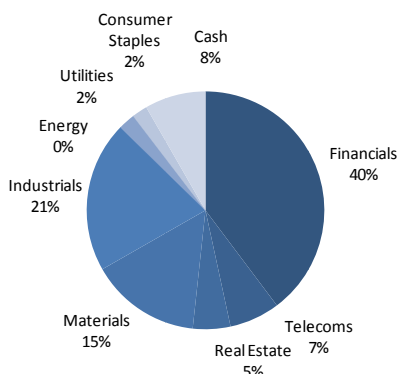
Returns (%)

| | Fund | S&P GCC Index |
|--------------------------------|-------|---------------|
| Aug 2011 | -3.8 | -4.9 |
| YTD 2011 (Jan - Aug) | -8.5 | -11.3 |
| 2010 | 14.1 | 12.8 |
| 2009 | 16.9 | 14.1 |
| 2008 | -33.9 | -55.3 |
| 2007 | 43.9 | 35.4 |
| 2006 | -13.9 | -40.2 |
| 2005 | 56.8 | 103.9 |
| 2004 (Mar - Dec) | 27.0 | 43.3 |
| Last 3 months | -6.0 | -9.3 |
| Last 6 months | 0.4 | -2.6 |
| Last 1 year | 4.1 | -1.1 |
| Last 3 years | -22.3 | -40.7 |
| Last 5 years | 17.6 | -42.9 |
| Since Inception (Mar 04-Aug11) | 98.9 | 20.7 |

Country Allocation



Sector Allocation



Key Statistics

| | Fund | Index |
|--------------------------------------|----------------|----------------|
| Price Earnings Multiple TTM (x) | 11.8 | 12.5 |
| Price to Book Multiple Latest (x) | 2.4 | 1.6 |
| Return on Equity TTM (%) | 18.8 | 12.7 |
| Dividend Yield - 2010 (%) | 4.3 | 4.4 |
| Number of Holdings | 30 | 270 |
| Annualized Return (%) | 9.7 | 2.6 |
| Annualized Standard Deviation (%) | 19.5 | 24.6 |
| Largest Monthly Gain (%) | 14.8 (Mar 05) | 17.6 (Mar 05) |
| Largest Monthly Loss (%) | -20.3 (Oct 08) | -24.7 (Oct 08) |
| % of Positive Months | 58 | 54 |
| Maximum Drawdown- Peak to Trough (%) | -47.4 | -62.6 |
| Length of Drawdown (months) | 9 | 9 |
| Recovery from recent trough (%) | 33.0 | 36.1 |

Fund Information

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

Top Holdings

| Name | Country | (%) |
|------------------------|---------|-----|
| Saudi Basic Industries | Saudi | 6.5 |
| Qatar National Bank | Qatar | 5.1 |
| Al Rajhi Bank | Saudi | 5.0 |

Risk Statistics

| | |
|-----------------------------------|------|
| Annualized Standard Deviation (%) | 19.5 |
| Sharpe Ratio | 0.3 |
| Tracking Error (%) | 11.7 |
| Information Ratio | 0.6 |
| Alpha (%) | 6.7 |
| Beta | 0.7 |

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