

Khaleej Equity Fund

Fact Sheet - December 31, 2010

NAV US\$ 217.41 ↑ 6.5%

Manager's Commentary

The GCC markets ended the month on a mixed note, as four out of the seven GCC bourses ended in the positive territory. Qatar was December's top gainer, appreciating 6.6% after winning the bid to host the 2022 FIFA World Cup. This led to broad based buying in the Qatari market. Saudi Arabia, after remaining subdued for the past couple of months, witnessed increased activity and rose 4.8%. Buying interest was seen in petrochemical, industrial and banking sectors on the back of rise in oil prices and optimism surrounding the Saudi budget that was announced in December. Kuwait rose 3.8%, while Oman appreciated by 2.5%. On the negative side, Dubai declined by 2.3% on continued concerns on the Dubai World restructuring, while Abu Dhabi and Bahrain were down 0.4%.

The NAV of Khaleej Equity Fund appreciated by 6.5% during the month compared to an increase of 4.6% in the benchmark. In December, the fund benefited from its overweight allocation to Qatar and investments in selected stocks in Saudi Arabia. These were also the main contributors to the outperformance in 2010. The fund appreciated by 14.1% as compared to a 12.8% rise in the benchmark.

In December, we invested in selected equities in Qatar and Kuwait that we believe are offering good medium to long term prospects, Consequently, the fund's cash allocation reduced to 3%. With commodities prices set to be strong and regional capital spending gathering pace, we believe that outlook for GCC companies is positive for 2011, barring a major shock (regionally/globally). As the dividend season is around the corner, we believe that the regional markets would continue to see investor interest.

Investment Objective

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

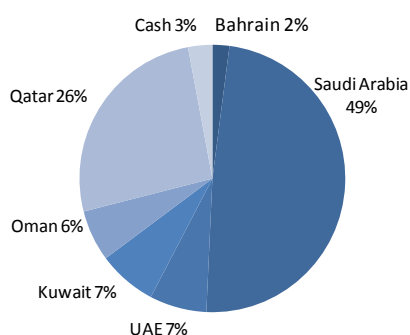
Fund Returns (%)

	Fund	S&P GCC Index
Dec 2010	6.5	4.6
2010 (Jan - Dec)	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	7.4	5.0
Last 6 months	16.5	15.4
Last 1 year	14.1	12.8
Last 3 years	-11.8	-42.4
Last 5 years	9.2	-53.4
Since Inception (Mar 04-Dec10)	117.4	36.1

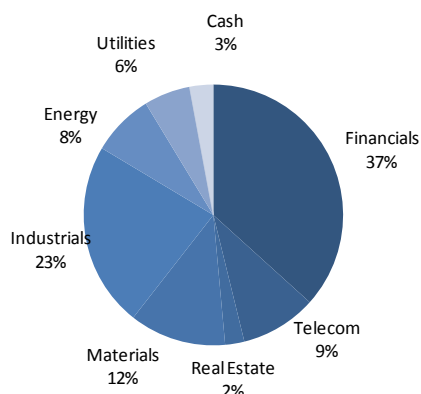
Fund Information

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
Bloomberg Code	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)	13.9
Price to Book Multiple Latest (x)	2.2
Dividend Yield 2009 (%)	3.5
Number of Holdings	32
Annualized Return (%)	12.2
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 (%)	45.4

Top Holdings

Name	Country	(%)
Saudi Arabia Amiantit	Saudi	5.5
Saudi Basic Industries Corp	Saudi	5.0
Etihad Etisalat	Saudi	4.7

Risk Statistics

Annualised Standard Deviation (%)	19.4
Sharpe Ratio	0.4
Information Ratio	0.5
Beta	0.6
Alpha (%)	7.8

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