



Khaleej Equity Fund

Fact Sheet - December 2011

NAV US\$ 204.57 ↑ 3.1%

Manager's Commentary

The GCC markets ended the year on a positive note with the S&P GCC index appreciating by 2.9% for the month. Saudi Arabia and Oman were the best performing markets in December, appreciating by 5.1% each. Saudi Arabia rose primarily on newsflow that the market may be opened to foreigners during the first quarter of 2012 and the announcement of the annual budget. In Oman, buying interest was seen in the index heavyweights that propelled the overall market. Qatar was up 2.2% and ended the year as the best GCC market. Kuwait and the UAE markets bucked the overall positive trend in December and declined by 1-2%. Investors aggressively sold positions in the UAE post the announcement that MSCI will maintain UAE and Qatar as frontier markets.

The fund appreciated by 3.1% for the month compared to a 2.8% rise in the benchmark. It benefited from the rise of selected Saudi stocks particularly from the consumer sector along with our overweight position in Omani equities. For the year, the fund is down 5.9%, outperforming the benchmark that ended down 8.2%. This outperformance is primarily attributed to our aggressive allocation to Qatar which has been the best performing market in 2011 and our conservative allocation to Kuwait which has been a laggard.

Going forward, we expect market volatility to continue considering the fragile state of the global economy and heightened political risk within the region. Hence, we have defensively positioned the fund by investing in low beta companies focusing on the domestic spending theme, particularly in Saudi Arabia and Qatar. In addition, as mentioned earlier, we have invested in high dividend yielding stocks to capitalize on the upcoming annual dividend season.

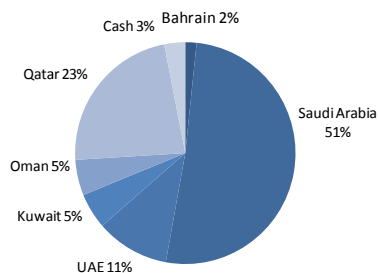
Investment Objective

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

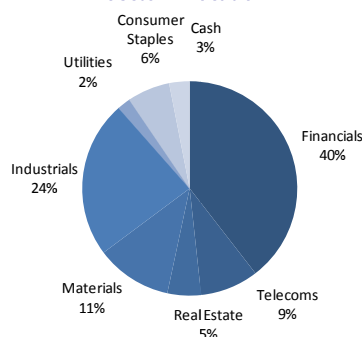
Returns (%)

	Fund	S&P GCC Index
Dec 2011	3.1	2.8
2011	-5.9	-8.2
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	4.2	2.8
Last 6 months	-1.8	-4.1
Last 1 year	-5.9	-8.2
Last 3 years	25.5	18.2
Last 5 years	19.3	-28.5
Since Inception (Mar 04-Dec11)	104.6	24.9

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	11.6	12.2
Price to Book Multiple Latest (x)	2.3	1.6
Return on Equity TTM (%)	19.1	13.0
Dividend Yield - 2010 (%)	4.6	4.3
Number of Holdings	34	269
Annualized Return (%)	9.7	2.9
Annualized Standard Deviation (%)	19.0	23.9
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 (%)	32.7	37.0

Fund Information

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Weekly
Dealing Day	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	(%)
Industries Qatar	Qatar	5.1
Etihad Etisalat	Saudi	5.0
Saudi Basic Industries	Saudi	4.6

Risk Statistics

Annualized Standard Deviation (%)	19.0
Sharpe Ratio	0.3
Tracking Error (%)	13.5
Information Ratio	0.5
Alpha (%)	6.4
Beta	0.7

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