



Khaleej Equity Fund

Fact Sheet - December 2013

NAV US\$ 278.13 ↑ 2.1%

Manager's Commentary

Global markets ended the year on a positive note despite Fed's decision to taper the Quantitative Easing Program. The GCC markets tracked international bourses and appreciated by 3.4% as measured by the S&P GCC index. Dubai, once again stole the limelight and rallied 14.4% as the 2020 Expo win provided investors an opportunity to build positions in real estate and financial sector stocks. Abu Dhabi also benefited from the positive sentiment and increased by 11.4%. The Saudi market gained 2.5%, while Bahrain and Oman rose by 3.3% and 1.9% respectively. Kuwait was the only GCC market to fall during the month (-1.3%).

Your fund gained 2.1% in December and extended its full year return to 28.4%. Majority of the fund's returns accrued during the first half of the year. During the second half, instead of taking undue risk by participating in a retail driven momentum rally especially in the UAE market, we became conservative in asset allocation and defensive in stock positioning. Nevertheless, the fund still managed to outperform its benchmark in 2013.

It is pertinent to note that since 2006, the GCC markets have experienced two market crashes – in 2006 & 2008, followed by a recovery starting in March 2009. Over this 8 year eventful period, your fund has managed to produce a positive return of 40% whereas its benchmark has dropped 45% during the same period. The fund has managed to produce this healthy alpha over the long term mainly due to our conservative asset allocation and prudent stock picking which focuses on the long term potential of the underlying investments rather than focussing on short term momentum driven rallies.

As we enter 2014, we remain cautiously optimistic on the outlook of GCC markets despite expansion in valuation multiples which may put a cap on further market returns. We expect volatility to increase in 2014 and hence believe that a prudent and disciplined investment strategy will play a key role in producing superior risk adjusted returns instead of simply riding the momentum wave as was the case in 2013.

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	Index*
December 2013	2.1	3.4
2013	28.4	25.0
2012	5.9	3.2
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
Last 3 months	3.5	7.3
Last 6 months	9.5	14.3
Last 1 year	28.4	25.0
Last 3 years	27.9	18.4
Last 5 years	70.6	52.4
Last 7 years	62.3	-7.7
Since Inception (Mar 04–Dec13)	178.1	61.1

* S&P GCC Composite Index

Fund Information

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10%
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

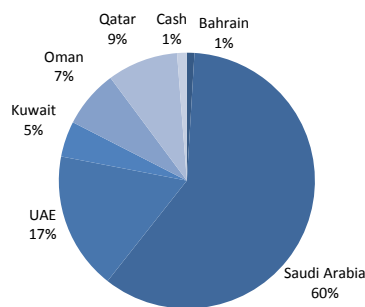
Name	Country	(%)
Saudi Basic Industries	Saudi	8.0
Al Rajhi Bank	Saudi	5.4
Etihad Etisalat	Saudi	5.1

Risk Statistics

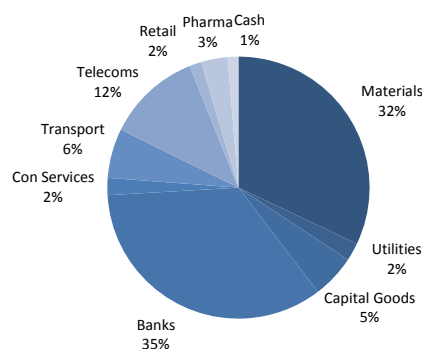
Annualized Standard Deviation (%)	17.2
Sharpe Ratio	0.5
Tracking Error (%)	12.2
Information Ratio	0.5
Alpha (%)	6.6
Beta	0.7

For further information contact: assetmanagement@sicobahrain.com

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	14.2	15.7
Price to Book Multiple Latest (x)	2.3	1.9
Return on Equity TTM (%)	16.2	12.2
Dividend Yield – 2012 (%)	4.0	3.4
Number of Holdings	33	276
Annualized Return (%)	11.1	5.0
Annualized Standard Deviation (%)	17.2	23.5
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	61	56
Success Ratio (%)	53	N1
Maximum Drawdown-Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from Maximum Drawdown (%)	86.0	81.7

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