

Khaleej Equity Fund

Fact Sheet - December 2014



NAV US\$ 291.24 ↓ 4.7%

Manager's Commentary

December was an extremely volatile month for the GCC markets, during which the benchmark index fell as much as 15% in the first half, before rebounding sharply to limit the losses to less than 5%. Brent crude oil price continued its free fall as it dropped below US\$60 to end the month 15% lower. The regional markets have been battered severely during the fourth quarter, with the S&P index falling by 21%. Dubai (-25%) and Saudi Arabia (-25%) have been hit the hardest. However, thanks to the strong performance in the Jan-Sep period, markets such as UAE and Qatar are still in the positive territory for the year.

During the month, the NAV of your fund declined by 4.7% for the month and while the S&P GCC index declined by 4.4%. We opted to defensively position the portfolio as prospects for a rebound in oil in the short-term looked unlikely given the resolve of the GCC based oil producers not to cut production. However, in the second half of December, number of high beta stocks particularly in the petrochemical sector increase as much as 30% when oil prices stabilized for about ten day. This primarily contributed to the marginal underperformance of the fund during the month. However, the fund has outperformed its benchmark by as much as 5% during the volatile fourth quarter. Moreover, while the index return for the year was negative 2.5%, Khaleej Equity Fund's return was in the positive territory (+4.7%).

While it is reasonable to expect GCC market returns in 2015 to be at best modest single digit mainly due to suppressed corporate earnings. We believe unlike in the prior 5 years, in 2015 we expect a significant diversion in market returns within the sectors. While the prospects for petrochemicals and construction related business would be impacted by the low oil prices, we expect the Saudi Financials and consumer related businesses to post double digit returns. Increase in government borrowing and higher interest rates would benefit the Saud Banks and selected consumer companies should continue to grow due to lower commodity prices and favourable demographics.

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 2014	-4.7	-4.4
2014	4.7	-2.5
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	-15.8	-20.6
Last 6 months	-2.3	-9.9
Last 1 year	4.7	-2.5
Last 3 years	42.4	25.7
Last 5 years	52.8	30.2
Last 10 years	129.3	9.6
Since Inception (Mar 04– Dec 14)	191.2	57.1

* 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
Fund ISIN Code	BH000A1CZ8W7
Custodian/ Administrator	HSBC, Bahrain

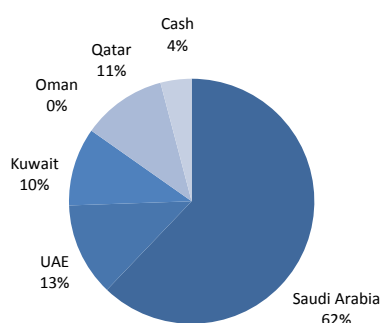
Name	Country	(%)
Al Othaim	Saudi	4.2
Bupa	Saudi	3.9
Air Arabia	Saudi	3.7

Risk Statistics (Last 5 years)

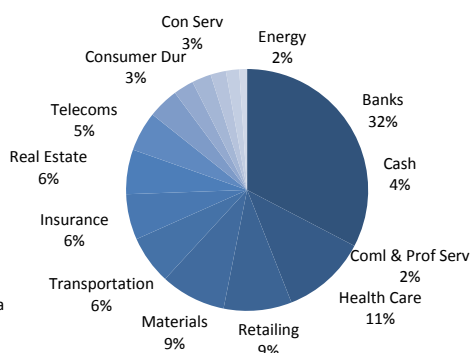
Annualized Standard Deviation (%)	13.8
Sharpe Ratio	0.42
Tracking Error (%)	4.1
Information Ratio	0.87
Alpha (%)	3.6
Beta	0.9

For further information contact: assetmanagement@sicobahrain.com

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	15.7	14.1
Price to Book Multiple Latest (x)	2.1	1.8
Return on Equity TTM (%)	13.4	12.9
Dividend Yield – 2013 (%)	3.3	3.5
Number of Holdings	53	276
Annualized Return (%) – Last 5 years	8.9	5.4
Annualized Standard Deviation (%) Last 5 years	13.8	14.5
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	60	57
Success Ratio (%)	53	NM
Maximum Drawdown-Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from Maximum Drawdown (%)	94.7	77.2

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