

# Khaleej Equity Fund

Fact Sheet - December 2015



NAV US\$ 273.31 ↓ 2.9 %

## Manager's Commentary

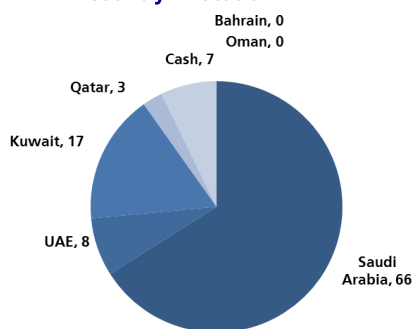
The regional markets continued to trend down in December with S&P GCC index falling by 2.4% for the month. Saudi Arabia (-4.5%) bore the brunt of the declines followed by Kuwait (-2.7) and Dubai (-1.7%). The precipitous decline in the price of oil, coupled with fiscal tightening in Saudi Arabia primarily contributed to the poor performance of the market.

During the month your fund declined by 2.9% while the S&P GCC index fell by 2.4%. The marginal underperformance was primarily due our petrochemical exposure. The share price of liquids based petrochemicals in our portfolio were negatively impacted when the Saudi government reduced the discount at which they sell feedstock to the petrochemical sector. However, most companies in our portfolio have subsequently disclosed that the impact of the lower discount on earnings would be immaterial given that the new pricing regime would be based on propane rather than Naptha and propane is currently trading at a discount to Naptha.

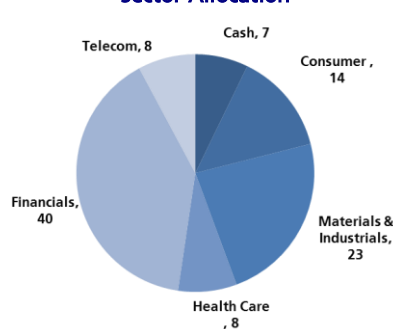
Although the fund declined in 2015, your fund was amongst the best performing funds in the region. In 2015 fund declined by 6% while the corresponding index declined by 17.5%. Over the past two years, despite 70% decline in price of oil and 20% decline in regional markets, your fund dropped by just 2%. The outperformance of the fund was due to our stock selection. In 2015 we had exposure to 7 of the top 10 performing stocks in the investable universe. Our core holding such as Bupa, NCCL, and Dubai Parks contributed significantly for the outperformance of the fund.

Given the steep market correction particular in the first week of January 2016, a number of companies are trading at sustainable dividend yields in excess of 7% and very profitable petrochemical companies are trading at discount to book value. We believe the current valuations present long-term investors with an opportunity to build exposure to fundamentally solid businesses. Despite overwhelming bearish sentiments, we intend to gradually deploy our cash and rebalance the portfolio to gain exposure to stocks which we deem are trading at very attractive valuations.

### Country Allocation



### Sector Allocation



## Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	15.1	12.1
Price to Book Multiple Latest (x)	2.7	2.0
Return on Equity TTM (%)	18.0	14.1
Dividend Yield - 2014 (%)	4.1	4.8
Number of Holdings	31	276
Annualized Return (%) - Last 5 years	4.7	-0.1
Annualized Standard Deviation (%) - Last 5 years	14.7	15.5
Largest Monthly Gain (%)	14.8 (Mar 05)	17.6 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 8)	-24.7 (Oct 08)
% of Positive Months	58	55
Maximum Drawdown-Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from Maximum Drawdown (%)	82.7	23.3

Securities & Investment Company BSC (c)  
P.O. Box 1331, Manama, Kingdom of Bahrain  
Tel: +973 1751 5000 Fax: +973 1751 4000  
CR No: 33469

شركة الأوراق المالية والاستثمار ش.م.ب (م)  
ص.ب: 1331، المنامة، مملكة البحرين  
هاتف: +973 1751 5000 فاكس: +973 1751 4000  
سجل تجاري رقم 33469

## 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*
Dec 2015	-2.9	-2.4
YTD (Jan-Dec)	-6.2	-17.4
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	-4.3	-7.2
Last 6 months	-17.2	-20.4
Last 1 year	-6.2	-17.4
Last 3 years	26.1	0.6
Last 5 years	25.7	-4.7
Last 10 years	37.3	-55.6
Since Inception(Mar04- Dec15)	173.3	29.7

\* 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

## Top Holdings

Name	Country	(%)
Viva Kuwait	Kuwait	7.8
Samba	Saudi	7.1
Al Rajhi	Saudi	6.3

## Risk Statistics (Last 5 years)

Annualized Standard Deviation (%)	14.7
Sharpe Ratio	0.11
Tracking Error (%)	4.2
Information Ratio	1.3
Alpha (%)	5.4
Beta	0.9

بنك استثماري sico  
Investment Bank