

Khaleej Equity Fund

Fact Sheet - February 28, 2011

NAV US\$ 198.09 ↓ 5.2%

Manager's Commentary

Regional markets continued their downward trend during the month of February as fears of political turmoil spreading to other Arab countries resulted in panic selling. Stepping down of Egypt's President and its military's promises of political reforms calmed the markets initially. However, severe unrest in Libya and demonstrations in Bahrain and Oman resulted in heightened risk aversion. Consequently, Oman, Dubai and Qatar were down in the range of 8-10%. The larger markets such as Saudi Arabia and Kuwait fell 6-7%. Bahrain was down 1.2% while Abu Dhabi was flat for the month.

On the backdrop of the selloff in regional equities, the fund was down 5.2% compared to 6.6% decline in the benchmark. The fund outperformed the benchmark during February mainly due to positive stock selection primarily in Saudi Arabia and Qatar. The Qatari financial sector was in the limelight as the central bank asked conventional banks to close their Islamic windows. During the month of February we switched from high beta stocks and stocks that we believe have higher downside potential in this volatile environment to more defensive names. As a result the fund's cash allocation remained the same.

Given the high volatility we have witnessed thus far in March, we remain cautious on the regional markets in the short term as political developments in the region would continue to dictate market movements. However, given that selling has been indiscriminate, we believe that medium to long term/risk reward characteristics of certain fundamentally solid companies have become extremely appealing.

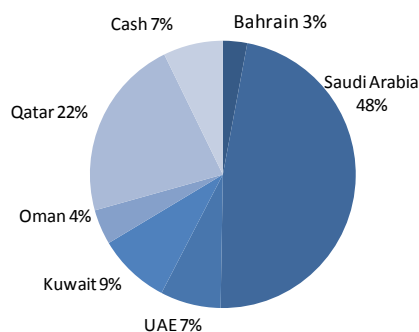
Investment Objective

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

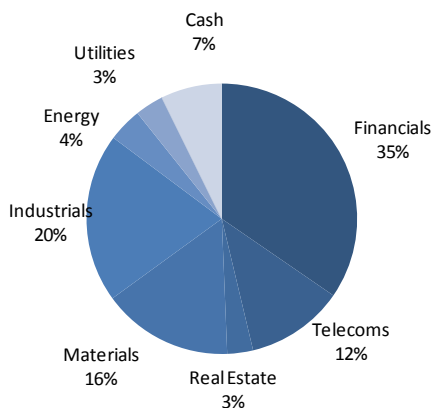
Fund Returns (%)

	Fund	S&P GCC Index
Feb 2011	-5.2	-6.6
YTD 2011 (Jan - Feb)	-8.9	-9.0
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	-2.9	-4.8
Last 6 months	3.7	1.5
Last 1 year	0.7	-2.1
Last 3 years	-26.8	-48.6
Last 5 years	1.1	-60.2
Since Inception (Mar 04-Feb11)	98.1	23.8

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	12.4
Price to Book Multiple Latest (x)	2.4
Dividend Yield 2009 (%)	4.9
Number of Holdings	31
Annualized Return (%)	10.5
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	60
Maximum Drawdown- Peak to Trough (%)	47.4
Length of Drawdown (months)	9
Recovery from recent trough (%)	32.4

Fund Information

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Weekly
Dealing Date	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 Middle East, Bahrain

Top Holdings

Name	Country	(%)
Saudi Basic Industries Corp	Saudi	5.5
Al Rajhi Bank	Saudi	5.1
Etihad Etisalat	Saudi	5.0

Risk Statistics

Annualised Standard Deviation (%)	19.4
Tracking Error (%)	14.2
Sharpe Ratio	0.3
Information Ratio	0.5
Beta	0.6
Alpha (%)	7.0

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