

Khaleej Equity Fund

Fact Sheet - January 31, 2011

NAV US\$ 208.96 ↓ 3.9%

Manager's Commentary

During the first half of January, the GCC markets continued their positive trend. However, political unrest in Egypt resulted in the markets swiftly giving back their gains by the end of the month. As a result, the GCC markets ended the month on a negative note. Dubai and Abu Dhabi were down 6% and 5%, respectively while Saudi Arabia declined by 4%. The sudden increase in risk aversion and knee-jerk reaction by investors resulted in a broad based decline. Kuwait's official index also declined and lost 1.4% during the month. Oman, Bahrain and Qatar were net gainers and appreciated in the range of 1-2%.

The NAV of Khaleej Equity Fund declined by 3.9% for the month as compared to a 2.6% decline in the benchmark. Although the portfolio continued to benefit from its holdings in Qatar, the sharp declines in selected Saudi holdings resulted in the overall underperformance. Stocks from the Saudi petrochemical and industrial sectors were amongst the hardest hit as investors quickly moved away from high beta stocks. During the month, we booked profits in selected holdings in Qatar and Oman in stocks that had reached close to their fair values. As a result the fund's cash allocation increased from 3% to 8%.

The political unrest in the Arab world is causing volatility and de-risking in the regional stock markets. The GCC region, however, is politically and economically more stable and richer than its other Arab neighbours. Therefore, medium to long term impact on GCC countries in our view may be limited. But in the short term we may continue to see volatility in the GCC stock markets. Any further declines in the GCC stock markets in our view will be a good entry point and a buying opportunity for long term investors.

Investment Objective

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

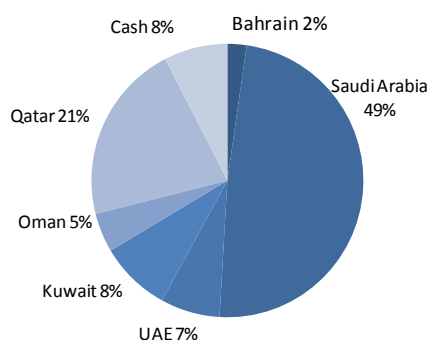
Fund Returns (%)

	Fund	S&P GCC Index
Jan 2011	-3.9	-2.6
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	2.2	1.2
Last 6 months	8.9	7.8
Last 1 year	10.8	10.5
Last 3 years	-17.5	-40.6
Last 5 years	2.4	-57.5
Since Inception (Mar 04-Jan11)	109.0	32.5

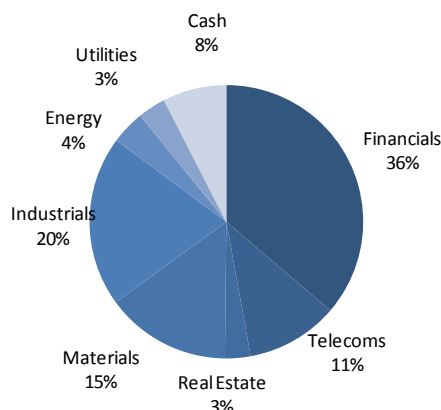
Fund Information

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

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	12.7
Price to Book Multiple Latest (x)	2.3
Dividend Yield 2009 (%)	4.6
Number of Holdings	30
Annualized Return (%)	11.4
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	61
Maximum Drawdown- Peak to Trough (%)	47.4
Length of Drawdown (months)	9
Recovery from recent trough (%)	39.7

Top Holdings

Name	Country	(%)
Saudi Basic Industries Corp	Saudi	5.9
Etihad Etisalat	Saudi	5.2
Al Rajhi Bank	Saudi	5.1

Risk Statistics

Annualised Standard Deviation (%)	19.4
Tracking Error (%)	14.3
Sharpe Ratio	0.4
Information Ratio	0.5
Beta	0.6
Alpha (%)	7.3

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