

Khaleej Equity Fund

Fact Sheet - July 31, 2010

NAV US\$ 191.93 ↑ 2.9%

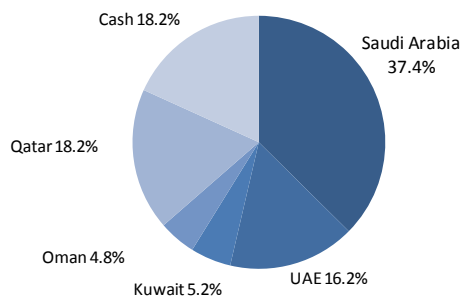
Manager's Commentary

After two months of negative returns, the GCC markets showed some signs of recovery with all bourses, except Bahrain posting positive returns. Although the markets started the month on a fragile note, the improvement in international markets along with encouraging corporate earnings announcements triggered selective buying towards the second half of the month. Volumes continued to dry up amidst the summer season with many investors preferring to remain on the sidelines. Kuwait was the best performing market gaining 5.5% as a few index heavyweights witnessed buying activity. Oman was up 3.9% as renewed interest was seen in a few scrips. Dubai, after going through three months of steep declines, finally saw some buying interest with the benchmark rising 3.5% in July. Saudi Arabia was up 3.1% while the remaining markets were up in the range of 1-2%.

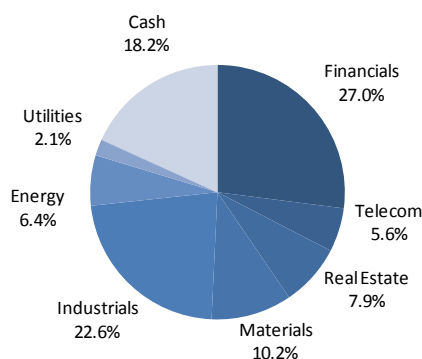
The NAV of Khaleej Equity Fund increased by 2.9% as compared to a 4.8% rise in the benchmark. The fund benefited from its exposure to Saudi mid cap stocks as well as selected holdings from the other markets. However, the underperformance during the month was as a result of the fund's cash allocation as well as its underweight position in Kuwait. Kuwait was the best performing market during July and the rise of its heavyweights (Zain and KFH) adversely affected the fund as it had no exposure to these stocks. We believe this rise in Kuwait was more of sentiment driven rather than any improvement in fundamentals.

Given that the result season is coming to an end where earnings have been more or less within expectations, we expect the markets to remain rangebound. The regional markets are expected to continue to see low trading activity especially during the month of Ramadan. We are carefully assessing the current market conditions and are in the process of restructuring the portfolio so as to capitalize on any potential rally post Ramadan.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	11.7
Price to Book Multiple Latest (x)	2.0
Dividend Yield 2009 (%)	3.5
Number of Holdings	33
Annualized Return (%)	10.8
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	62
Maximum Drawdown- Peak to Trough (%)	47.4
Length of Drawdown (months)	9
Recovery from recent trough (%)	28.3

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	MSCI GCC Index*
Jul 2010	2.9	4.8
YTD 2010 (Jan - Jul)	0.7	6.4
2009	16.9	22.9
2008	-33.9	-55.8
2007	43.9	51.7
2006	-13.9	-43.6
2005	56.8	80.8
2004 (Mar - Dec)	27.0	43.3
Last 3 months	-10.9	-7.7
Last 6 months	1.8	7.5
Last 1 year	-1.5	7.8
Last 3 years	-6.3	-26.3
Last 5 years	2.5	-38.6
Since Inception (Mar 04-Jul10)	91.9	28.0

*This refers to MSCI GCC USD Total Return Gross

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Weekly
Subscription Deadline	Two Business days before Dealing Day
Redemption Deadline	Two Business days before Dealing Day
Minimum Subscription	US\$100,000
Reuters Code	LP65038262
Bloomberg Cod	KHALEQY BI
Zawya Code	SICOKEF.MF
Fund ISIN Code	BH000A1CZ8W7
Custodian/ Administrator	HSBC Middle East, Bahrain

Top Holdings

Name	Country	(%)
Saudi Basic Industries	Saudi	4.5
Etihad Etisalat	Saudi	3.9
National Bank of Kuwait	Kuwait	3.7

Risk Statistics

Annualised Standard Deviation (%)	19.8
Sharpe Ratio	0.3
Information Ratio	0.5
Beta	0.6
Alpha (%)	6.4

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