

Khaleej Equity Fund

Fact Sheet - June 2011

NAV US\$ 208.27 ↓ 1.6%

Manager's Commentary

The regional markets continued to decline in June and mirrored the performance of oil prices and international bourses. Oil prices closed below the US\$100/barrel level amidst fears of slowdown in global economic growth. Within the region, uncertainty regarding MSCI's decision to upgrade Qatar and the UAE plagued the markets for most of the month. Eventually, MSCI decided to postpone their decision to December that disappointed investors. Consequently, Dubai lost 2.8% while Qatar showed some strength and declined marginally (-0.2%). The Saudi market dropped 2.4% led by declines in petrochemical and banking sector stocks. Kuwait fell 2.6%, while the smaller markets of Oman and Bahrain lost around 2% each. Abu Dhabi was the only market to appreciate (+2.5%) mainly due to rises in index heavyweight stocks.

During the month, the fund retreated by 1.6% compared to a 2% decline in the benchmark. The fund benefited from its overweight allocation to Qatar and selected stocks in Saudi Arabia. In addition, the fund's cash portion also added to the out performance. During the first half of the year, the regional markets have been affected by both regional and international developments that have caused them to fall around 4-5%. Khaleej Equity Fund has performed in line with the benchmark but we remain confident that its performance will gradually improve given the strong underlying fundamentals of its holdings.

Liquidity of the markets is slowly drying up and is expected to remain low over the next couple of months with the onset of the summer season. However, stock specific movement might be witnessed based on second quarter earnings announcements. Accordingly, we have positioned the portfolio in order to capitalize on this theme. For medium to long term investors, the current lacklustre market conditions offer a good entry point.

Investment Objective

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

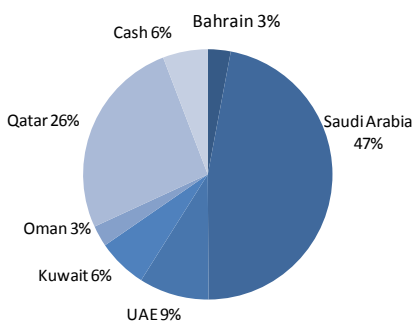
Fund Returns (%)

	Fund	S&P GCC Index
June 2011	-1.6	-2.0
YTD 2011 (Jan - Jun)	-4.2	-4.3
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	-1.7	-0.8
Last 6 months	-4.2	-4.3
Last 1 year	11.6	10.5
Last 3 years	-26.1	-41.2
Last 5 years	26.5	-42.7
Since Inception (Mar 04-Jun11)	108.3	30.3

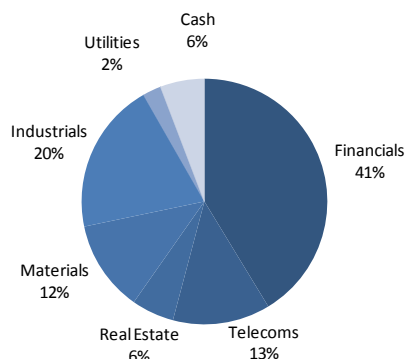
Fund Information

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, Bahrain

Country Allocation



Sector Allocation



Fund Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	12.8	13.9
Price to Book Multiple Latest (x)	2.5	1.7
Return on Equity TTM (%)	19.5	12.2
Dividend Yield 2010 (%)	4.4	4.0
Number of Holdings	29	270
Annualized Return (%)	11.0	4.1
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	56
Maximum Drawdown- Peak to Trough (%)	47.4	62.4
Length of Drawdown (months)	9	9
Recovery from recent trough (%)	39.2	46.9

Top Holdings

Name	Country	(%)
Etihad Etisalat	Saudi	6.5
Saudi Arabia Basic Industries	Saudi	6.1
Al Rajhi Bank	Saudi	5.1

Risk Statistics

Annualised Standard Deviation (%)	19.1
Sharpe Ratio	0.4
Tracking Error (%)	13.9
Information Ratio	0.5
Alpha (%)	6.8
Beta	0.6

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