



# Khaleej Equity Fund

Fact Sheet - June 2014

NAV US\$ 297.96 ↓7.3%

## Manager's Commentary

June was a turbulent month for GCC markets, particularly in Dubai and Qatar. Dubai lost around a quarter of its value while Qatar declined as much as 16%. Although retail investor frenzy, excessive leverage, deteriorating situation in Iraq etc. did play a role in this correction, we believe that it was the Arabtec saga which exacerbated and magnified a correction and profit taking into virtually a swift market crash. Qatar also declined around 17% after the frenzy associated with its MSCI upgrade ended and fresh allegations regarding its world cup bid started appearing in the media. The other GCC markets did relatively well and experienced moderate declines. Resultantly, the S&P GCC index declined 7.4% for the month.

The NAV of Khaleej Equity Fund declined by 7.3% while the corresponding index declined by 7.4%. Since the fund had healthy allocations to both the UAE and Qatar, our returns declined in line with the market. Arabtec accounted for more than 50% of the market turnover and declines in its share price triggered margin calls. This resulted in retail investors being forced to sell off their other liquid stocks in UAE in order to meet their margin requirements. Hence, although we had no exposure to Arabtec, its declines pressured the share price of number of our Dubai based investment such as Emaar (-20%), Dubai Islamic Banks (-17%). and Drake & Scull(-16%).

We believe that the collapse in the UAE and Qatari markets during the month of June was an aberration and is unlikely to have meaningful and lasting impact on the long term growth story of neither UAE/Qatar nor other gulf markets. We think the UAE is now throwing up great opportunities at these levels. We also expect Saudi market to be more resilient going forward and hence we further increased our allocation to the Saudi market. Despite the recent market correction in Qatar, valuation of its large liquid financials and real-estate companies continues to be very expensive; hence we opt to maintain a neutral to underweight position in the market. Similarly Oman and Kuwait have some interesting investment opportunities from a stock picker's perspective.

## 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*
June 2014	-7.3	-7.4
2014 (Jan-Jun)	7.1	8.2
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	-2.0	-1.8
Last 6 months	7.1	8.2
Last 1 year	17.3	23.7
Last 3 years	43.1	33.8
Last 5 years	58.9	49.0
Last 10 years	171.2	65.1
Since Inception (Mar 04-Jun 14)	198.0	74.3

\* 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

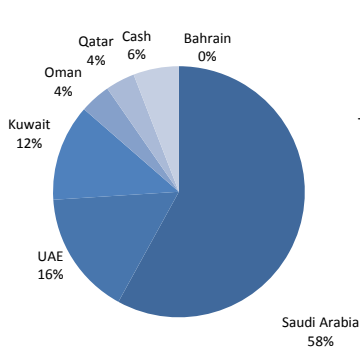
Name	Country	(%)
Saudi Basic Industries	Saudi	6.5
Al Rajhi Bank	Saudi	4.2
Emaar Properties	UAE	3.9

## Risk Statistics (Last 5 years)

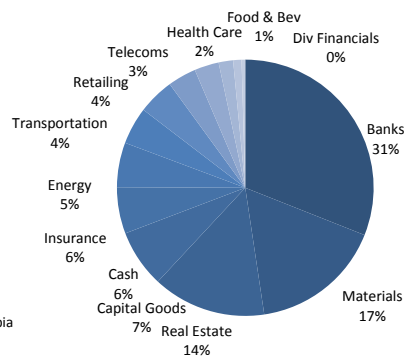
Annualized Standard Deviation (%)	12.8
Sharpe Ratio	0.5
Tracking Error (%)	4.0
Information Ratio	0.4
Alpha (%)	1.7
Beta	1.0

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## Country Allocation



## Sector Allocation



## Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	17.4	17.6
Price to Book Multiple Latest (x)	2.4	2.1
Return on Equity TTM (%)	14.0	12.1
Dividend Yield - 2013 (%)	2.8	3.0
Number of Holdings	42	276
Annualized Return (%) - Last 5 years	9.7	8.3
Annualized Standard Deviation (%) Last 5 years	12.8	12.8
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	62	58
Success Ratio (%)	51	NM
Maximum Drawdown-Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from Maximum Drawdown (%)	114.8	112.3

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