

Khaleej Equity Fund

Fact Sheet - June 2016



NAV US\$ 270.00 ↓ 0.2 %

Manager's Commentary

Regional markets consolidated in June following the declines experienced last month, overall S&P GCC index appreciated by 1.3%. Market sentiment was largely influenced by Britain's decision to exit the European Union ("Brexit") and the news reports relating to the merger between FGB and NBAD. Unsurprisingly Abu Dhabi was the best performing market gaining by 6% mainly driven by NBAD (+24%) and FGB (+6%). Qatari market also posted healthy gains (+3.6%) primarily due to inflows from MSCI Emerging market passive funds. Kuwait was the worst performer, falling by 1.7%. Other major markets' returns were range bound.

During the month your fund was down by 0.2% while the S&P GCC total return index was up by 1.3%. The underperformance of the fund during the month mainly accrued from UAE. FGB and NBAD account for approximately 3.5% of the index and as highlighted above, both stocks rallied on the back of the announced merger, in addition, Emirates Telecom accounts for approximately 3.5% of the index and the stock was up by 7% during the month.

Although we view the merger between FGB and NBAD positively, we believe the Banks in Abu Dhabi are likely face margin compression given that government deposits and commercial deposits accounts for as much as 75% of the overall deposits in the system. NBAD has been able to partly mitigate this challenge by gathering deposits from international markets (approximately 30% of NABD deposits are from outside UAE). However this is not sustainable and the banks should endeavour to increase its personal deposits in order to manage volatility in deposit flows going forward. We opted not to have an exposure to Emirates Telecom despite its large weight in the index due to its expensive valuations, Emirates Telecom trades at PE of 18.5 x and EV/EBITDA of 7x, a 50% premium to its regional peers.

Investment Objective

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

Returns (%)

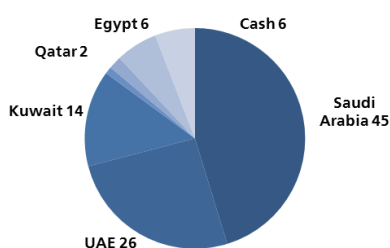
	Fund	Index*
June 2016	-0.2	1.3
YTD (June 2016)	-1.2	-1.1
Last 3 months	5.5	2.7
Last 6 months	-1.2	-1.1
Last 9 months	-5.4	-8.1
Last 1 year	-18.2	-20.6
Last 3 years	6.3	-1.9
Last 5 years	29.6	14.5
Last 10 years	63.9	-18.0
Since Inception (Mar04-June16)	170.0	96.5

* S&P GCC Total Return Index

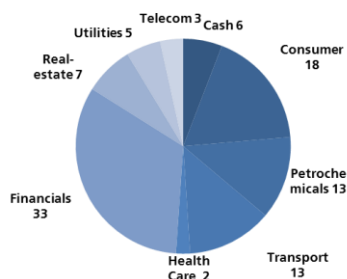
Fund Information

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

Country Allocation %



Sector Allocation %



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	13.4	13.2
Price to Book Multiple Latest (x)	1.5	1.3
Return on Equity TTM (%)	11.9	10.4
Dividend Yield - 2015 (%)	4.0	4.2
Number of Holdings	38	276
Annualized Return (%) - Last 5 years	5.3	2.7
Annualized Standard Deviation (%) - Last 5 years	15.2	16.5
Largest Monthly Gain (%) Last 5 years	12.0 (April 15)	10.1 (April 15)
Largest Monthly Loss (%) Last 5 years	12.9 (Aug 15)	13.9 (Aug 15)
% of Positive Months	59	56
Latest drawdown-Peak to Trough (%)	-29.2	-40.2
Length/Duration of Drawdown - (months)	Aug14- Jan16 17	Aug14- Jan16 17
Recovery from Latest Drawdown (%)	Feb16- April16 11.0	Feb16- April16 9.3

Top Holdings

Name	Country	(%)
SABIC	Saudi	6.5
SADAFCO	Saudi	5.8
Air Arabia	UAE	5.7

Risk Statistics (Last 5 years)

Annualized Standard Deviation (%)	15.2
Sharpe Ratio	0.15
Tracking Error (%)	4.4
Information Ratio	1.5
Alpha (%)	6.1
Beta	0.9
Success ratio % Last 5 years	59

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