

Khaleej Equity Fund

Fact Sheet - May 2012

NAV US\$ 211.09 ↓ 6.0%

Manager's Commentary

During May, the GCC market as measured by the S&P GCC index declined by 6.4% - the steepest fall since the Arab Spring unfolded in February 2011. The top two performing GCC markets thus far, Dubai and Saudi Arabia, fell the most with the former losing close to 10% and the latter declining by 7.7%. Investors reduced their exposure to equities as international markets also fell sharply and recorded their worst monthly performances in two years. Worsening of the Eurodebt crisis post the preliminary elections in Greece and weak economic data from China and other emerging markets fueled the selloff in global equities. Commodities were no exception and oil prices plunged by more than 15% during the month.

Within the region, the sell off in Saudi Arabia was broad based. However the small and speculative segment which had outperformed during the first quarter declined the most. Stocks such as Emaar Economic City (-20.9%), Bank Al Jazira (-17%) and Alinma Bank (-13.4%) were amongst the worst performers. On the back of the decline in oil prices, petrochemical companies also fell considerably - Yansab (-14%), Saudi Kayan (-10.3%), Tasnee (-9.4%) and SABIC (-8.8%). Real estate developers and contracting companies led the decline in Dubai as investors reduced exposure to high beta names.

On the backdrop of such sharp declines, the fund lost 6% in May compared to a 6.4% drop in the benchmark. The market correction so far has been largely uniform with good quality names that we have in the fund also witnessing similar declines. However, the defensive portion of the fund helped in outperforming the benchmark. During the month, we continued to invest in selective stocks that we believe were unduly penalized and offer downside protection. As a result, the fund became almost fully invested. The medium to long term prospects seem favorable, however international developments will continue to dictate the short term direction of the regional markets.

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 | S&P GCC Index |
|--------------------------------|-------|---------------|
| May 2012 | -6.0 | -6.4 |
| YTD 2012 (Jan - May) | 3.2 | 4.0 |
| 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 |
| 2005 | 56.8 | 103.9 |
| 2004 (Mar - Dec) | 27.0 | 43.3 |
| Last 3 months | -3.7 | -4.8 |
| Last 6 months | 6.4 | 6.9 |
| Last 1 year | -0.3 | -2.3 |
| Last 3 years | 10.0 | 7.6 |
| Last 5 years | 7.0 | -27.0 |
| Since Inception (Mar 04-May12) | 111.1 | 29.9 |

Fund Information

| | |
|------------------------------------|--------------------------------------|
| Launch Date | March 2004 |
| Management Fee | 1.5% |
| Performance Fee | 10% over 10% pa |
| Subscription & Redemption | Weekly |
| Dealing Day | 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 |

Top Holdings

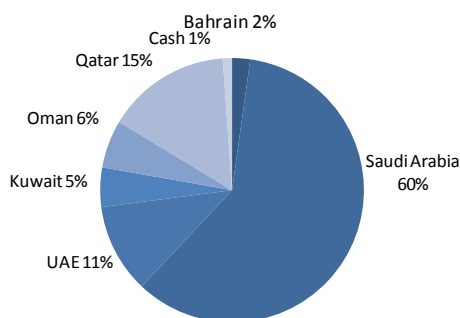
| Name | Country | (%) |
|------------------------|---------|-----|
| Industries Qatar | Qatar | 5.0 |
| Saudi Basic Industries | Saudi | 4.8 |
| Etiihad Etisalat | Saudi | 4.4 |

Risk Statistics

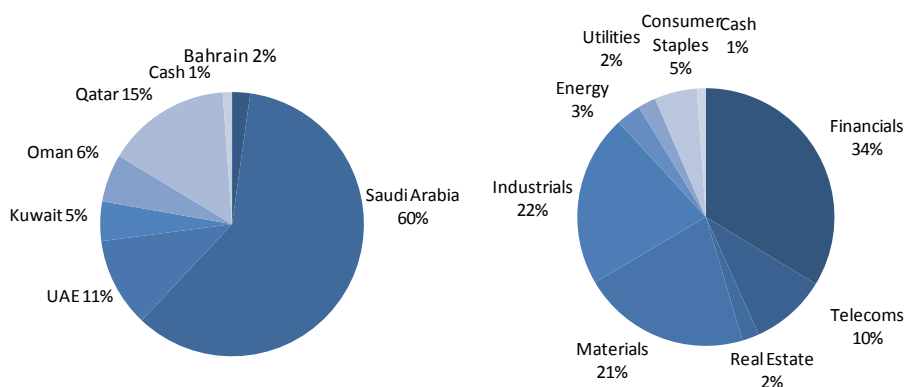
| | |
|-----------------------------------|------|
| Annualized Standard Deviation (%) | 18.8 |
| Sharpe Ratio | 0.3 |
| Tracking Error (%) | 13.1 |
| Information Ratio | 0.5 |
| Alpha (%) | 6.1 |
| Beta | 0.7 |

For further information contact: assetmanagement@sicobahrain.com

Country Allocation



Sector Allocation



Key Statistics

| | Fund | Index |
|--------------------------------------|----------------|----------------|
| Price Earnings Multiple TTM (x) | 11.0 | 12.6 |
| Price to Book Multiple Latest (x) | 2.4 | 1.6 |
| Return on Equity TTM (%) | 21.9 | 12.6 |
| Dividend Yield - 2011 (%) | 5.0 | 4.2 |
| Number of Holdings | 34 | 236 |
| Annualized Return (%) | 9.6 | 3.3 |
| Annualized Standard Deviation (%) | 18.8 | 23.6 |
| 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 | 58 | 55 |
| Maximum Drawdown- Peak to Trough (%) | -47.4 | -62.6 |
| Length of Drawdown (months) | 9 | 9 |
| Recovery from recent trough (%) | 41.1 | 46.5 |

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