



# Khaleej Equity Fund

Fact Sheet - May 2014

NAV US\$ 321.35 ↑ 2.7%

## Manager's Commentary

During the month of May, the GCC markets, as represented by the S&P GCC Index, appreciated by 3.2%, amidst heightened volatility surrounding the inclusion of UAE and Qatar into the MSCI Emerging Markets Index. The Dubai market fell by 13% in four trading sessions following the announcement of the index constituents in mid-May, only to recover towards the end of the month in anticipation of inflows from passive funds. On the other hand, Abu Dhabi which was relatively less volatile, appreciated by 4.1%. The Qatari market reached an all-time high and increased by 8% driven mainly by foreign institution buying into the MSCI constituents. Saudi Arabia, Oman and Bahrain appreciated in the range of 2-3%, whereas Kuwait edged up by 0.3%.

The NAV of Khaleej Equity Fund increased by 2.7% bringing its year to date gains to 15.5%. The portfolio's return was propelled mainly by our investments in the Saudi insurance sector which is expected to benefit from favourable developments related to the insurance industry. However, the return was marginally lower compared to the benchmark mainly due to the volatility and disparity of returns in the UAE and our defensive positioning in Qatar. We did not have exposure to some of the MSCI emerging markets index stocks such as Masraf Al Rayan, Vodafone Qatar, DP World etc. which rallied sharply, despite rich valuations, owing to speculation by local retail investors and passive money inflows by international funds. For example Masraf Al Rayan increased by 36% for the month and contributed approximately 50bp to the benchmark's return. It trades at 4.5x book value - by far the most expensive regional bank in terms of P/B.

The GCC markets have produced strong returns since the beginning of 2013 and have increased by around 50% during this period. Resultantly, the valuations coupled with the earnings growth potential are not as attractive as they were a couple of years ago. Furthermore, the small and midcap segment of the GCC markets, along with the consumer and retail names are trading at extremely rich valuations which may trigger a correction as we approach traditionally slower Ramadan and summer periods. Having said this, the macro-economic fundamentals of the region remain intact while corporate earnings growth for 2014 is estimated to be around 10%. Moreover, markets such as the UAE are expected to post earnings growth of around 15-20%. Hence, any sharp correction will be deemed as a buying opportunity by regional and international institutional investors who have not been fully able to participate in the bull-run and are waiting on the side lines to invest at lower levels.

## 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*
May 2014	2.7	3.2
2014 (Jan-May)	15.5	16.8
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	8.5	9.0
Last 6 months	18.0	20.8
Last 1 year	26.0	32.1
Last 3 years	51.8	41.5
Last 5 years	67.5	56.0
Last 10 years	200.0	81.1
Since Inception (Mar 04-May14)	221.4	88.2

\* 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

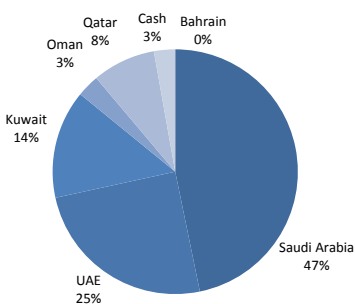
Name	Country	(%)
Emaar Properties	UAE	5.5
Saudi Basic Industries	Saudi	5.0
Aldar Properties	UAE	3.7

## Risk Statistics (Last 5 years)

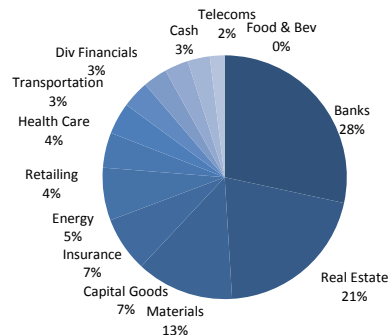
Annualized Standard Deviation (%)	12.4
Sharpe Ratio	0.6
Tracking Error (%)	4.0
Information Ratio	0.4
Alpha (%)	1.9
Beta	1.0

For further information contact: [assetmanagement@sicobahrain.com](mailto:assetmanagement@sicobahrain.com)

## Country Allocation



## Sector Allocation



## Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	17.9	17.6
Price to Book Multiple Latest (x)	2.5	2.1
Return on Equity TTM (%)	14.0	12.1
Dividend Yield - 2013 (%)	2.9	3.0
Number of Holdings	46	276
Annualized Return (%) - Last 5 years	10.9	9.3
Annualized Standard Deviation (%) Last 5 years	12.4	12.4
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 (%)	52	NM
Maximum Drawdown-Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from Maximum Drawdown (%)	114.8	112.3

Securities & Investment Company BSC (c)  
P.O. Box 1331, Manama, Kingdom of Bahrain  
Tel: +973 1751 5000 Fax: +973 1751 4000  
CR No: 33469

شركة الأوراق المالية والاستثمار ش.م.ب (م)  
ص.ب: 1331، المنامة، مملكة البحرين  
هاتف: +973 1751 5000 فاكس: +973 1751 4000  
سجل تجاري رقم 33469

بنك استثماري sico  
Investment Bank