

Khaleej Equity Fund

Fact Sheet - October 2011

NAV US\$ 201.67 ↑ 2.7%

Manager's Commentary

International markets rebounded sharply in October as optimism surrounding a combined and orderly solution to the Euro Debt crisis boosted investor confidence. In addition, the agreement to expand the existing stabilization fund announced towards the end of the month helped the international markets end on a high note. The GCC markets, on the other hand, were relatively quiet for the month and witnessed a mixed performance. Qatar was the best performing GCC bourse and appreciated by 2.4%. Saudi Arabia and Kuwait increased by around 2%, while the UAE and Bahrain were down in the range of 2%. Oman closed marginally down for the month.

The fund increased by 2.7% for the month compared to 1.8% rise in the benchmark. Despite having an average cash buffer of around 10% during the month, the fund outperformed the benchmark mainly due to superior stock selection from Saudi Arabia, Oman and the UAE. In terms of sector allocation, stocks from financial and consumer oriented sectors contributed positively to the fund. During the month, we took advantage of the muted performance of the markets and continued to invest in fundamentally attractive companies primarily from Saudi Arabia and Qatar. As a result, the fund's cash allocation declined to 5% towards the end of the month.

Given that third quarter earnings of regional companies have been encouraging (+17% year on year), investor interest is likely to resume once the anxiety over the Euro Debt crisis reduces. However, in the interim, we expect volatility to continue and therefore our focus is to continue to invest in companies that have solid business models and offer high dividend yields.

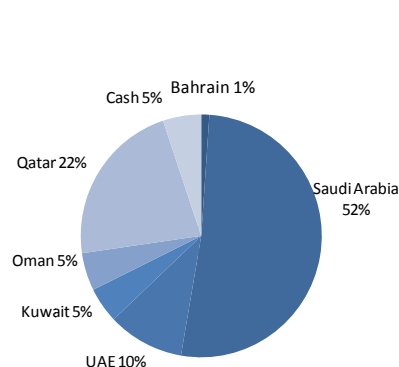
Investment Objective

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

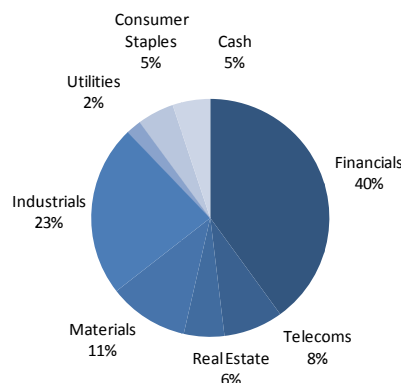
Returns (%)

	Fund	S&P GCC Index
Oct 2011	2.7	1.8
YTD 2011 (Jan - Oct)	-7.2	-9.1
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	-2.4	-2.5
Last 6 months	-7.0	-8.7
Last 1 year	-1.3	-5.5
Last 3 years	14.1	-6.3
Last 5 years	11.6	-37.9
Since Inception (Mar 04-Oct11)	101.7	23.7

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	11.4	12.1
Price to Book Multiple Latest (x)	2.3	1.6
Return on Equity TTM (%)	19.2	13.0
Dividend Yield - 2010 (%)	4.6	4.3
Number of Holdings	34	269
Annualized Return (%)	9.7	2.8
Annualized Standard Deviation (%)	19.3	24.2
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	57	54
Maximum Drawdown- Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from recent trough (%)	34.8	39.5

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

Name	Country	(%)
Industries Qatar	Qatar	5.1
Saudi Basic Industries	Saudi	5.1
Etihad Etisalat	Saudi	4.7

Risk Statistics

Annualized Standard Deviation (%)	19.3
Sharpe Ratio	0.3
Tracking Error (%)	13.6
Information Ratio	0.5
Alpha (%)	6.5
Beta	0.7

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