

# Khaleej Equity Fund

Fact Sheet - October 2014



NAV US\$ 328.43 ↓ 5.0%

## Manager's Commentary

The regional markets experienced a sharp correction in October, with the S&P GCC index falling by 7% mainly due to the precipitous drop in the price of crude oil. Brent crude prices have declined as much as 30% from their peak in July primarily due to increased supply, lower than expected demand in Asia and appreciation of the US Dollar. Saudi Arabia (-7.6%), Dubai(-9.9%) and Oman (6.8%), were the most affected markets. Declines in Saudi were unsurprisingly led by petrochemicals with most stocks in the sector dropping by approximately 15% during the month. Declines in Dubai and Oman were primarily due to heavy foreign selling. On the other hand, Qatar was far more resilient and fell by only 1.7% owing to continued buying interest in anticipation of the upcoming MSCI Emerging Markets review in November.

The NAV of the portfolio decreased by 5.0% for the month whereas the corresponding index declined by 6.8%. In the latter half of September, we became increasingly cautious on The Saudi market particularly given the downtrend in oil prices. Hence, we trimmed our investments in Saudi Arabia and reduced our exposure to petrochemicals that were very sensitive to oil price movements. In addition, at the beginning of the month, we generated approximately 7% cash which we gradually deployed in tandem with the market declines. This helped the fund when the market rebounded in the third week of October. Furthermore, insurance companies reported excellent 3rd quarter results and the sector rebounded by ca 25% from the lows of the month, significantly contributing to the funds outperformance.

We believe the probability of Brent Crude declining well below USD 80 is low given that there would be major shutdown in capacity globally if oil prices were to break below this level. Having said this, we believe we are in an era of low oil prices and hence going forward we plan to gradually reduce our exposure to the petrochemical sector. On the other hand, we intend to continue to build exposure to the Saudi banks. The ending of tapering and encouraging macroeconomic numbers in The US suggests that we could reasonably expect the US Federal Reserve to increase interest rates next year, if this were to materialize, it would be a significant boost to the banks in Saudi.

## 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*
October 2014	-5.0	-6.8
2014 (Jan-Oct)	18.1	14.4
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	1.2	-2.2
Last 6 months	4.9	1.1
Last 1 year	22.7	21.3
Last 3 years	62.9	49.0
Last 5 years	58.8	44.3
Last 10 years	172.3	46.1
Since Inception (Mar 04–Oct 14)	228.4	84.4

\* 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

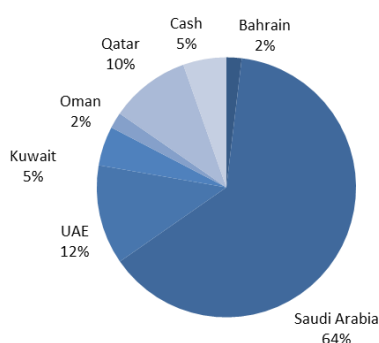
Name	Country	(%)
Emaar Properties	UAE	8.4
Bupa	Saudi	4.8
Tawuniya	Saudi	4.4

## Risk Statistics (Last 5 years)

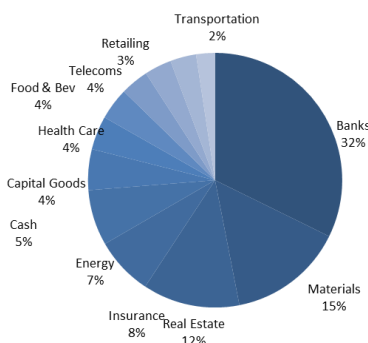
Annualized Standard Deviation (%)	13.5
Sharpe Ratio	0.50
Tracking Error (%)	3.9
Information Ratio	0.5
Alpha (%)	2.3
Beta	1.0

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## Country Allocation



## Sector Allocation



## Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	17.8	16.6
Price to Book Multiple Latest (x)	2.4	1.9
Return on Equity TTM (%)	13.4	11.4
Dividend Yield – 2013 (%)	2.2	3.0
Number of Holdings	51	276
Annualized Return (%) – Last 5 years	9.7	7.6
Annualized Standard Deviation (%) Last 5 years	13.5	13.6
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	63	58
Success Ratio (%)	52	NM
Maximum Drawdown-Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from Maximum Drawdown (%)	119.6	108.0

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