

Khaleej Equity Fund

Fact Sheet - September 30, 2009

NAV US\$ 211.59 ↑ 6.6%

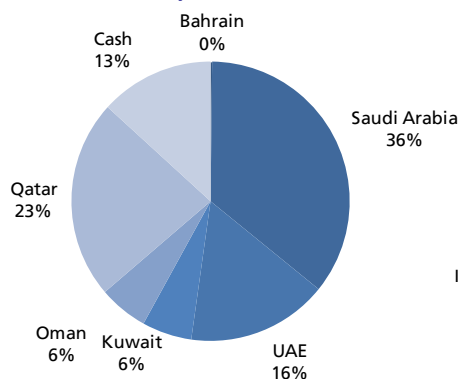
Manager's Commentary

With the exception of Kuwait, the gulf bourses posted positive returns for the month. The Kuwaiti market was impacted by a 14.5% drop in the share price of Zain that dragged the overall market. On the other hand, Dubai and Saudi Arabia were the top performing bourses and appreciated by 14.5% and 11.7%, respectively. In Dubai, investor appetite heightened and as a result real estate companies witnessed considerable buying interest. The Saudi market appreciated on news that loans extended by Saudi banks to the Saad Group would be restructured. This coupled with continued interest in petrochemical sector stocks propelled the overall Saudi market upwards. Other markets such as Qatar, Oman and Bahrain were up in the range of 3-4%

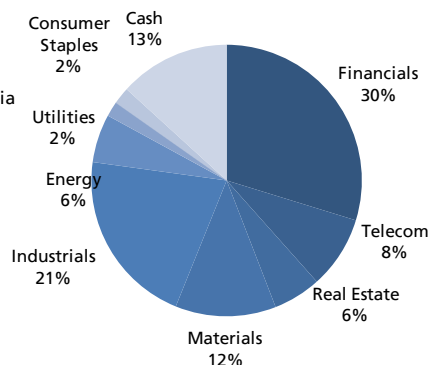
The NAV of Khaleej Equity Fund increased by 6.6% for the month and is up 29.8% for the year. The MSCI Index, on the other hand appreciated by 6.2% for the month and is up 27.5% for the year. Despite maintaining an average cash cushion of around 15-20% during the month, the fund still managed to outperform the benchmark primarily due to our stock selection in key markets such as Saudi Arabia and the UAE. Our allocation to Saudi based financials and infrastructure related companies benefited the fund as buying interest was seen based on the strong fundamentals of these companies. Similarly, our investments in selected UAE equities also contributed to the overall fund's return.

During the month we switched from stocks that we believe are trading at close to their fair values to companies where we believe long term fundamentals are relatively more attractive. As at the end of the month, we still have around 13% cash that we would look to deploy as and when investment opportunities arise. Over the next month, investors would be closely monitoring third quarter earnings and any major disappointments could result in these markets losing some of their momentum. Nevertheless, the medium to long term trend remains positive.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	10.5
Price to Book Multiple Latest (x)	2.6
Dividend Yield 2008 (%)	5.7
Number of Holdings	39
Annualized Return (%)	14.6
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	65
Maximum Drawdown- Peak to Trough (%)	47.4
Length of Drawdown (months)	9
Time to Recovery (months)	na

Investment Objective

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

Fund Returns (%)

	Fund	MSCI GCC Index
Sep 2009	6.6	6.2
YTD 2009 (Jan - Sep '09)	29.8	27.5
Last 3 months	12.9	13.2
Last 6 months	34.5	44.1
Last 1 year	-4.5	-21.2
Last 3 years	22.0	-34.3
Last 5 years	82.9	-3.8
2008	-33.9	-57.0
2007	43.9	46.6
2006	-13.9	-45.8
2005	56.8	80.8
2004 (Mar - Dec)	27.0	43.3
Since Inception (Mar 04- Sep09)	111.6	12.8

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Monthly
Subscription Deadline	Five Business days before month end
Redemption Deadline	Ten Business days before month end
Minimum Subscription	US\$100,000
Reuters Code	LP65038262
Bloomberg Code	KHALEQY BI
Zawya Code	SICOKEF.MF
Fund Listing	Bahrain Stock Exchange
Custodian/ Administrator	HSBC Middle East, Bahrain

Top Holdings

Name	Country	(%)
Industries Qatar	Qatar	5.2
Riyad Bank	Saudi	4.6
Saudi Cables	Saudi	4.4

Risk Statistics

Annualised Standard Deviation (%)	19.8
Sharpe Ratio	0.5
Information Ratio	0.7
Beta	0.6
Alpha (%)	11.1

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