

Khaleej Equity Fund

Fact Sheet - September 30, 2010

NAV US\$ 202.40 ↑ 5.9%

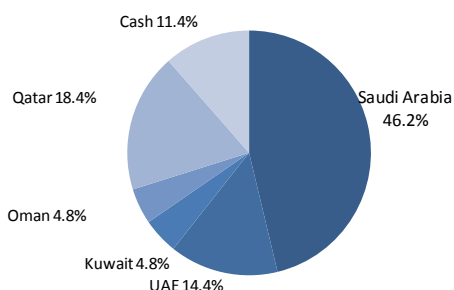
Manager's Commentary

Regional markets rallied during the month in line with strong performances of international markets. Overall, risk appetite improved and investor interest towards cyclical stocks increased. Dubai, having significantly underperformed since the start of the year, witnessed a resurgence post Ramadan and ended the month with a gain of 13.5%. This positive sentiment spilled over to Abu Dhabi as the market increased by 7.0%. Real estate and financial sector stocks were the main contributors. Qatar's steady performance continued for the fourth consecutive month with the benchmark increasing 6.5%. The Kuwaiti market, after remaining subdued for most of the month, appreciated after the announcement that Etisalat is interested in buying 46% of Zain. Saudi Arabia increased by 4.7% primarily on the back of a rise in petrochemical sector stocks that tracked higher oil prices. Oman and Bahrain were up 3.5% and 1.8%, respectively.

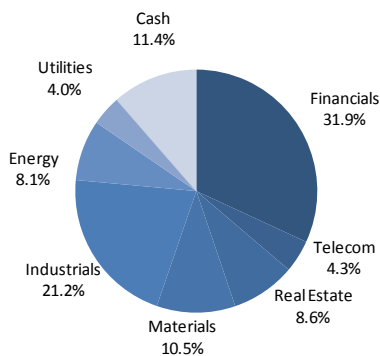
The NAV of Khaleej Equity Fund appreciated by 5.9% for the month and is up 6.2% for the year. Standard and Poors (S&P) GCC Composite Index was up 6.2% for the month and 7.5% for the year. We would like to inform our investors that as MSCI has discontinued provide indices including Saudi Arabia effective Sep 30, 2010, we have switched to S&P GCC index. During September, the fund was well positioned to capitalize on the sharp rise in UAE equities. Similarly, our Qatari based financials were amongst the top performers during the month and continued to extend their gains. Within Saudi Arabia, the small and mid cap segment also contributed positively to the overall's fund's returns. However, the fund's underweight position in Kuwait affected the fund as the Kuwaiti market continued to show strength amidst fresh developments on Zain.

The markets ended the month on an upbeat note that would encourage investors to build further positions. However, third quarter results would be key in determining the direction of the markets and going forward, we will be following a two pronged approach; trimming positions that have risen significantly and switching to stocks that offer greater upside potential.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	12.8
Price to Book Multiple Latest (x)	2.1
Dividend Yield 2009 (%)	3.4
Number of Holdings	32
Annualized Return (%)	11.5
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	62
Maximum Drawdown- Peak to Trough (%)	47.4
Length of Drawdown (months)	9
Recovery from recent trough (%)	35.3

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	S&P GCC Index
Sep 2010	5.9	6.2
YTD 2010 (Jan - Sep)	6.2	7.5
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	8.5	10.0
Last 6 months	-4.3	-2.9
Last 1 year	-4.3	-1.3
Last 3 years	-2.4	-31.3
Last 5 years	-1.2	-52.7
Since Inception (Mar 04-Sep10)	102.4	29.6

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Weekly
Subscription Deadline	Two Business days before Dealing Day
Redemption Deadline	Two Business days before Dealing Day
Minimum Subscription	US\$100,000
Reuters Code	LP65038262
Bloomberg Cod	KHALEQY BI
Zawya Code	SICOKEF.MF
Fund ISIN Code	BH000A1CZ8W7
Custodian/ Administrator	HSBC Middle East, Bahrain

Top Holdings

Name	Country	(%)
Saudi Arabia Amiantit	Saudi	4.7
National Bank of Kuwait	Kuwait	4.4
Etihad Etisalat	Saudi	4.3

Risk Statistics

Annualised Standard Deviation (%)	19.6
Sharpe Ratio	0.4
Information Ratio	0.5
Beta	0.6
Alpha (%)	7.0

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