

Khaleej Equity Fund

Fact Sheet - September 2011

NAV US\$ 196.37 ↓ 1.3%

Manager's Commentary

International markets continued their downward trend as concerns surrounding Euro's debt crisis and global economic slowdown remained high. During the last two months, emerging markets have declined by over 25%, while developed markets are down in the range of 15-20%. However, during the same period, the GCC markets have significantly outperformed and are down around 10%. In September, the GCC markets as measured by the S&P GCC index increased by 0.7%. Saudi appreciated by 2.2%, while Kuwait was up 1.6%. Qatar inched up 0.5% on local support, while Dubai, Abu Dhabi and Oman declined 3-4%. Bahrain was the worst performing GCC market and retreated by 7.4%

The fund declined by 1.3% for the month compared to 0.7% rise in the benchmark. The fund underperformed the benchmark mainly because of the lack of any exposure to speculative Saudi insurance companies and small cap stocks from Kuwait that appreciated in the range of 30-50%. Please note that the S&P Large Cap index (comprising of blue chip companies) declined by 0.6% in September, further reiterating that the gains were only concentrated in few stocks. In addition, the fund had a small allocation to Aluminum Bahrain (Alba) that fell sharply after an international research house slashed their target price following the announcement of a gas price increase. We are of the view that this sharp drop in its share price is overdone given that at the current price the stock offers a dividend yield of 10%.

During the month, we continued to restructure the fund by trimming our allocation to high beta stocks and companies that would be affected in the current environment. As a result, the fund's cash allocation increased to 20%. This is a tactical allocation move, as we expect the regional markets to remain volatile and react to international developments. We will use this opportunity to continue to build exposure to defensive and high dividend yielding companies.

Investment Objective

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

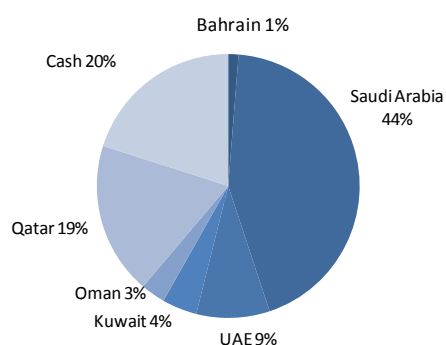
Returns (%)

	Fund	S&P GCC Index
Sep 2011	-1.3	0.7
YTD 2011 (Jan - Sep)	-9.7	-10.7
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	-5.7	-6.7
Last 6 months	-7.3	-7.5
Last 1 year	-3.0	-6.3
Last 3 years	-11.4	-30.8
Last 5 years	13.2	-42.7
Since Inception (Mar 04-Sep11)	96.4	21.5

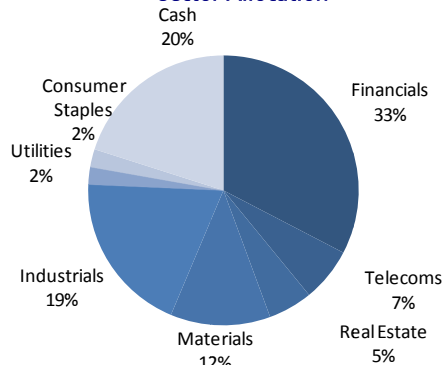
Fund Information

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

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	11.6	12.5
Price to Book Multiple Latest (x)	2.2	1.6
Return on Equity TTM (%)	19.2	12.7
Dividend Yield - 2010 (%)	4.2	4.4
Number of Holdings	30	270
Annualized Return (%)	9.4	2.6
Annualized Standard Deviation (%)	19.4	24.4
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	58	54
Maximum Drawdown- Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from recent trough (%)	31.3	37.0

Top Holdings

Name	Country	(%)
Etihad Etisalat	Saudi	5.0
Saudi Basic Industries	Saudi	5.0
Industries Qatar	Qatar	4.5

Risk Statistics

Annualized Standard Deviation (%)	19.4
Sharpe Ratio	0.3
Tracking Error (%)	11.7
Information Ratio	0.6
Alpha (%)	6.4
Beta	0.7

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