

Khaleej Equity Fund

Fact Sheet - September 2012

NAV US\$ 212.25 ↓ 1.9%

Manager's Commentary

All GCC markets, with the exception of Saudi Arabia, posted positive returns during the month. Saudi Arabia declined by 4.2% on the back of the sharp decline in oil prices (-5%). The improved sentiment stemming from a new round of Quantitative easing that was announced by the US, failed to prevent the decline in the biggest GCC market. Kuwait appreciated by 4.4% and was the best performing GCC bourse in September. The Kuwaiti market got a boost after a National Support fund was setup to support the local bourse. Oman and the UAE bourses rose around 2% each while, Qatar and Bahrain were flat.

The fund declined by 1.9% compared to a 1.3% drop in the benchmark. The primary reason for the underperformance was our underweight exposure in Kuwait. We had some exposure to blue chip names, but the rise in second tier / speculative names in Kuwait contributed significantly to the benchmark's return. In addition, the drop in selected Saudi holdings also affected the fund. On the other hand, the continued rise of our core UAE holdings provided some relief as their share prices appreciated in the range of 5-10%

During the month, we started to redeploy the cash generated during the last two months primarily into existing holdings that were unduly punished. We topped up our exposure to Saudi names that offer decent medium to long term upside potential. With the result season commencing, we expect the short term direction of the markets to remain volatile, which could in turn create further opportunities to invest the remaining cash.

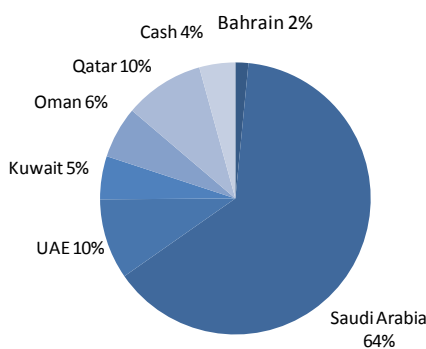
Investment Objective

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

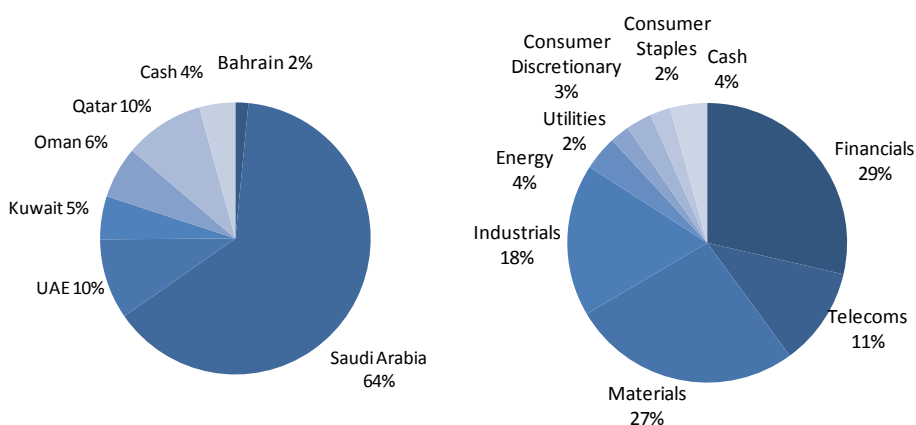
Returns (%)

	Fund	S&P GCC Index
September 2012	-1.9	-1.3
YTD 2012 (Jan -Sep)	3.8	3.3
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
2005	56.8	103.9
2004 (Mar - Dec)	27.0	43.3
Last 3 months	3.5	2.4
Last 6 months	-6.9	-9.9
Last 1 year	8.1	6.3
Last 3 years	0.3	-1.7
Last 5 years	2.4	-31.6
Since Inception (Mar 04-Sep12)	112.3	29.1

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	10.7	12.9
Price to Book Multiple Latest (x)	2.5	1.6
Return on Equity TTM (%)	23.3	12.7
Dividend Yield - 2011 (%)	4.8	4.2
Number of Holdings	31	264
Annualized Return (%)	9.3	3.0
Annualized Standard Deviation (%)	18.4	23.0
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	55
Maximum Drawdown-Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from recent trough (%)	41.9	45.6

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

Top Holdings

Name	Country	(%)
Etihad Etisalat	Saudi	6.0
Saudi Basic Industries	Saudi	5.6
Al Rajhi Bank	Saudi	5.0

Risk Statistics

Annualized Standard Deviation (%)	18.4
Sharpe Ratio	0.3
Tracking Error (%)	12.9
Information Ratio	0.5
Alpha (%)	5.9
Beta	0.7

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