

Khaleej Equity Fund

Fact Sheet - January 2014



Manager's Commentary

In January, Saudi Arabia was the only bright spot amongst the GCC markets (+6.5%) as investors investor appetite increased on the view that oil prices had found a floor. The smooth transition of leadership in the Kingdom provided further impetus to the market. The UAE and Qatari bourses however declined in the range of 2-3% primarily due to foreign selling. There were a number of anecdotal reports which suggested that real-estate prices in Dubai have declined by approximately 15-20% from their peaks, which impacted the investor sentiment. In addition, QNB's results indicated that the Qatari government is aggressively reducing its exposure to its banking system which negatively impacted the Qatari market.

During the month, the value of the fund increased by 1.6%, while the S&P GCC index increased by 2.8%. The defensive positioning of the fund coupled with selected investments in the UAE negatively contributed to the performance with DAMAC being the biggest negative contributor. However, we continued to increase our allocation to the stock as we believe the company is trading at a deep discount to its fair value. Although the price of oil seems to have stabilized, we expect market performance to be relatively volatile in 2015, and hence we intend to continue to maintain a healthy allocation to the sector despite its relative underperformance in January.

Despite lower oil prices, we expect regional markets to benefit from a number of positive triggers in 2015. The Saudi Market is anticipated to open to foreign investors in the first half of 2015. This is likely to increase investor appetite for undervalued large caps such as the Saudi Banks. In addition, Saudi Banks should also benefit from an increase in government borrowing and an increase in federal funds rates in the US. Hence, we opted to remain fully invested in the markets.

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*
January 2015	1.6	2.8
2014	4.7	-2.5
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	-9.9	-12.4
Last 6 months	-8.8	-14.3
Last 1 year	3.5	-3.1
Last 3 years	43.0	27.2
Last 5 years	57.0	34.6
Last 10 years	120.3	9.6
Since Inception (Mar 04– Dec 14)	182.7	65.6

* 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

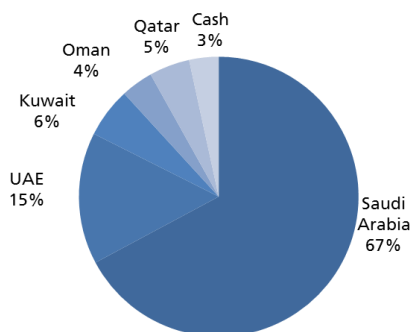
Name	Country	(%)
Al Othaim	Saudi	4.2
Samba	Saudi	4.1
VIVA Kuwait	Kuwait	4.0

Risk Statistics (Last 5 years)

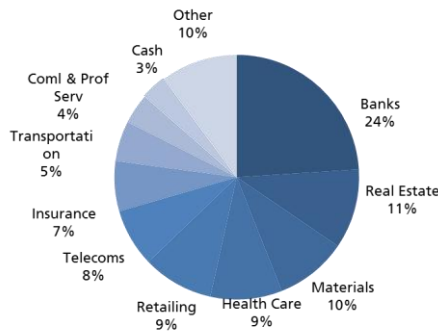
Annualized Standard Deviation (%)	13.7
Sharpe Ratio	0.47
Tracking Error (%)	4.1
Information Ratio	0.87
Alpha (%)	3.6
Beta	0.9

For further information contact: assetmanagement@sicobahrain.com

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	15.7	16.1
Price to Book Multiple Latest (x)	1.8	1.8
Return on Equity TTM (%)	11.5	11.1
Dividend Yield – 2014 (%)	2.5	3.5
Number of Holdings	44	276
Annualized Return (%) – Last 5 years	9.4	6.1
Annualized Standard Deviation (%) Last 5 years	13.7	14.4
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	60	57
Success Ratio (%)	53	NM
Maximum Drawdown-Peak to Trough (%)	-47.4	-62.6
Length of Drawdown (months)	9	9
Recovery from Maximum Drawdown (%)	94.7	77.2

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