

Khaleej Equity Fund

Fact Sheet - November 30, 2008

NAV US\$168.85 ↓ 4.4%

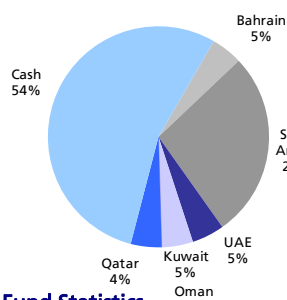
Manager's Commentary

The GCC market performance remained lacklustre in November although the declines were less pronounced than in October. Albeit a brief rally seen in the markets towards the end of the month, the MSCI GCC index fell by 13.6% in November, dragged down by the sharp declines which dominated the first three weeks. The largest declines were posted by Dubai and Abu Dhabi which lost 33% and 17% respectively. In the UAE markets, financial and real estate stocks suffered from declining property values while fears brewed over Dubai's debt financing and cash-starved mortgage lenders. Other markets such as Saudi, Qatar and Bahrain lost 12-13%. The Kuwaiti market (-9%) faced its own challenges as the market was closed for a few days following a court ruling in response to several protests by traders. Oman was the only market that escaped the downturn and closed up 1%.

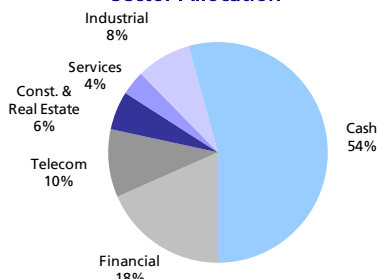
The global macroeconomic situation remains tense as people face the true reality of recession. In looking back, we have seen the financial crisis that started in August 2007 balloon into a full blown economic crisis in 2008. Oil prices have declined from their record highs of US\$140-150 to less than US\$50 at present; lower than the GCC budget breakeven oil price levels. Barring a recovery in the oil prices, there could be negative implications for the fiscal and current account surpluses that the GCC countries have enjoyed in the past few years. Consequently, the regional economic growth could decline significantly from 2008 levels of 6%-7% in 2008 to 3%-4%. We believe low oil prices and real estate prospects for Dubai in particular and GCC in general will continue to have an overbearing effect on the investor sentiment.

Despite a double-digit market decline in November, the NAV of Khaleej Equity Fund dropped by only 4.4%. On the other hand, the MSCI GCC Index dropped by 13.6%. Our fund was able to restrict losses due to our capital preservation strategy that led to 54% in cash allocation. Asset allocation and stock picking remains the core driver of the fund's performance with our holdings comprising of mainly defensive stocks such as telecoms, consumer goods companies and building materials which offer stable returns and have higher earnings visibility. In the future, we may expect more government intervention through monetary and fiscal policy measures to stabilize the market volatility and revitalize the economy. However, we don't believe we have seen the end of the market volatility yet but remain cautiously optimistic about the long term prospects of the regional markets.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	8.1
Price to Book Multiple Latest (x)	2.0
Dividend Yield 2007 (%)	5.1
Number of Holdings	21
Annualized Return (%)	11.9
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	66
Maximum Drawdown- Peak to Trough (%)	40.7
Length of Drawdown (months)	6
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*
November 2008	-4.4	-13.6
YTD 2008 (Jan-Nov 08)	-31.5	-53.2
Last 3 months	-34.1	-43.8
Last 6 months	-40.7	-48.8
Last 12 months	-25.1	-46.6
2007	43.9	44.1
2006	-13.9	-45.9
2005	56.8	77.5
2004 (Apr - Dec)	27.0	41.1
Since Inception (Apr 04- Nov 08)	68.9	-8.7

* Prior to July 2005, a domestic GCC index is used to compute benchmark returns

Fund Information

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	(%)
Qatar Telecom	Qatar	4.5
Al Rajhi Bank	Saudi	4.0
Saudi Cable	Saudi	3.7

Risk Statistics

Annualised Standard Deviation (%)	19.8
Sharpe Ratio	0.35
Information Ratio	0.82
Beta	0.56
Alpha (%)	10.8

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