

Khaleej Equity Fund

Fact Sheet - November 2014



NAV US\$ 305.05 ↓ 7.0%

Manager's Commentary

In November the GCC markets took another leg down with the S&P GCC Index declining by 11% for the month. Saudi Arabia led declines dropping by 14%. Both Dubai and Qatar held up firm but dropped towards the end of the month as the euphoria around the Emerging Market rebalancing ended. Consequently, they ended the month with a decline of around 6%. The Omani market which historically has been relatively less volatile also succumbed to this selling pressure and lost 7%, while Kuwait plunged 5.7%.

The NAV of the portfolio decreased by 7.0% for the month whereas the corresponding index declined by 10.9%. Our overweight position in UAE and Qatar leading up to the MSCI upgrade couple with our stock selection in Saudi Arabia contributed to the performance of the fund. In addition we had no exposure to Etihad Etisalat which declined as much as 40% during November as the stock was suspended due to accounting irregularities. We estimate the company's recurrent earnings to be approximately USD \$3 billion and believe the stock has a further 10%–15% downside potential.

During the month, we took advantage of the momentum in the Qatari and UAE market on the back of the Emerging Market rebalancing exercise and aggressively reduced our overall allocation. We exited our holdings in Industries Qatar and Qatar National Bank, Emaar Properties and First Gulf Bank. Consequently our cash allocation temporarily increased. We intend to redeploy this cash in selected defensive names in Saudi Arabia. The price of crude oil has declined by approximately 40% since its peak in June 2014 and energy-related revenue accounts for approximately 50% of the GDP (Gross Domestic Product) and 75% of the exports of the GCC countries. As such, a prolonged weakness in oil prices will put considerable pressure on GCC economies, hence impacting the profitability of regional corporations. Until we see a clear sign of oil prices stabilizing we intend to maintain a defensively positioned portfolio.

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* |
|---------------------------------|-------|--------|
| November 2014 | -7.0 | -10.9 |
| 2014 (Jan-Nov) | 9.8 | 2.0 |
| 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 | -12.1 | -18.1 |
| Last 6 months | -4.9 | -12.7 |
| Last 1 year | 12.2 | 5.4 |
| Last 3 years | 54.0 | 35.3 |
| Last 5 years | 51.1 | 32.6 |
| Last 10 years | 140.5 | 14.9 |
| Since Inception (Mar 04–Nov 14) | 205.5 | 64.3 |

* 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 |

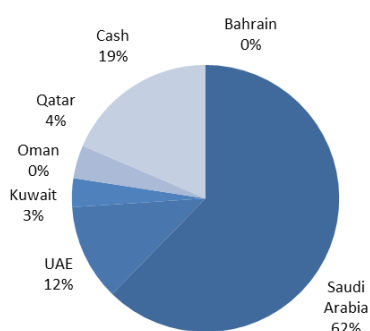
| Name | Country | (%) |
|--------|---------|-----|
| Bupa | Saudi | 5.1 |
| SAMBA | Saudi | 3.7 |
| Dallah | Saudi | 3.5 |

Risk Statistics (Last 5 years)

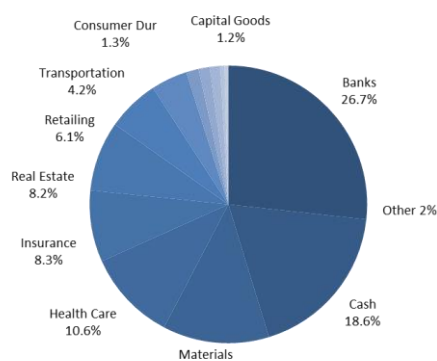
| | |
|-----------------------------------|------|
| Annualized Standard Deviation (%) | 13.9 |
| Sharpe Ratio | 0.40 |
| Tracking Error (%) | 3.9 |
| Information Ratio | 0.71 |
| Alpha (%) | 3.0 |
| Beta | 0.9 |

For further information contact: assetmanagement@sicobahrain.com

Country Allocation



Sector Allocation



Key Statistics

| | Fund | Index |
|--|----------------|----------------|
| Price Earnings Multiple TTM (x) | 15.0 | 13.1 |
| Price to Book Multiple Latest (x) | 1.9 | 1.5 |
| Return on Equity TTM (%) | 20.2 | 17.5 |
| Dividend Yield – 2013 (%) | 3.2 | 4.3 |
| Number of Holdings | 47 | 276 |
| Annualized Return (%) – Last 5 years | 8.6 | 5.8 |
| Annualized Standard Deviation (%) Last 5 years | 13.9 | 14.5 |
| 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 | 63 | 58 |
| Success Ratio (%) | 52 | NM |
| Maximum Drawdown-Peak to Trough (%) | -47.4 | -62.6 |
| Length of Drawdown (months) | 9 | 9 |
| Recovery from Maximum Drawdown (%) | 119.6 | 108.0 |

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