

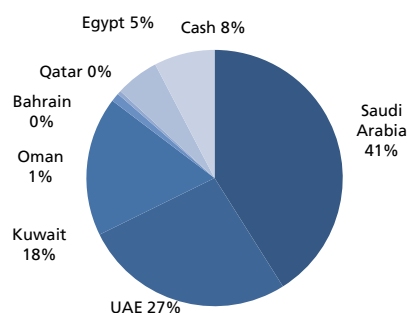
### Manager's Commentary

During the month of October, the S&P GCC index increased by 2.5%, driven by gains in Saudi Arabia. The Saudi market rebounded 7% on the back of the kingdom's USD 17.5bn international bond offering. Financials and real-estate companies contributed to the gains in the Tadawul, with the financial sector rebounding 8% and the real-estate sector increasing by 7%. In contrast, markets in UAE and Qatar fell by 4.2% and 2.5% respectively, largely due to foreign selling.

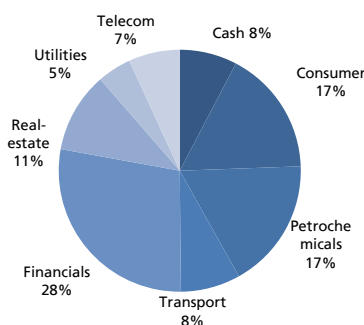
During the month, the portfolio appreciated by 1.8%, whereas the benchmark increased by 2.3%. While our limited exposure to real-estate, health care, and consumer companies in Saudi reduced the fund's returns, gains in Zain Group (Kuwait) which increased by 16% during the month, positively contributed to the fund's performance. Share price movement for Zain Group was driven by better than expected 3rd quarter earnings and chatter about Kharafi Group potentially selling their stake to a regional telecom company.

Despite the recent shift in market sentiment, we continue to maintain a relatively defensive portfolio with limited exposure to construction, consumer, and health care sectors in Saudi. Although the USD 17.5bn bond offering by the kingdom is positive, it would only partially finance the annual deficit of approximately USD 100m. Hence, Saudi Arabia would be forced to continue to drawdown on its reserves and endure further austerity measures in order to curtail both the budget deficit and net outflow of foreign currency. We expect the slashing of government spending to disproportionately impact the construction sector. Contrary to market expectations, we believe the construction sector in Saudi is in a structural downturn and hence unlikely to recover in the near future.

### Country Allocation



### Sector Allocation



### Key Statistics

	Fund	Index
Price to Earnings Multiple TTM (x)	12.2	13.3
Price to Book Multiple Latest (x)	1.4	1.3
Return on Equity TTM (%)	11.3	9.7
Dividend Yield—2015 (%)	3.8	4.3
Number of Holdings	28	107
Annualized Return (%) - Last 5 years	5.6	3.1
Annualized Standard Deviation (%) - Last 5 years	15.2	16.5
Largest Monthly Gain (%) - Last 5 years	12.0 (April 15)	11.2 (April 15)
Largest Monthly Loss (%) - Last 5 years	-12.9 (Aug 15)	-13.0 (Aug 15)
% Positive Months (%)	57	55
Success Ratio (%) - Last 5 years	47	NA
Latest Drawdown-Peak to Trough (%)	-29.2	-40.2
Duration of Drawdown (months)	17mths (Aug 14 to Jan 16)	17mths (Aug 14 to Jan 16)
Recovery from Latest Drawdown (%)	8.6 (Feb 16 to Oct16)	8.0 (Feb 16 to Oct 16)

### 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*
Oct 2016	1.8	2.3
YTD	-3.2	-3.5
2015	-6.2	-14.6
2014	4.7	0.6
Last 3 Months	-4.1	-2.6
Last 6 Months	-3.9	-6.0
Last 9 Months	8.6	8
Last 1 Year	-6.2	-7.9
Last 3 Years	-1.2	-12.0
Last 5 Years	31.2	16.7
Last 10 Years	46.4	-9.1
Since Inception (March 04 to Oct16)	164.5	91.7

\* S&P GCC Total Return Index

### Fund Information

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10%
Subscription & Redemption	Weekly
Dealing Day	Thursday
Subscription & Redemption Dead-line	Two Business days before dealing day
Minimum Subscription	USD 100,000
Bloomberg Code	KHALEQY BI Equity
Fund ISIN Code	BH000A1CZ8W7
Custodian / Administrator	HSBC Bahrain

### Top Holdings

Name	Country	(%)
Al Rajhi Bank	KSA	7.0
Saudi Basic Industries	KSA	6.7
Emaar	UAE	6.3

### Risk Statistics (last 5 years)

Standard Deviation (%)	15.2
Sharpe Ratio	0.17
Tracking Error (%)	5.6
Information Ratio	1.2
Alpha (%)	5.1
Beta	0.9

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