

Manager's Commentary

Regional markets fell 4% during the month, driven by decline in Saudi Arabia and Qatar. In Saudi Arabia, the market dropped 7.5%; the decline accelerated after the government announced a cut in allowances paid to public sector employees. The Qatari market slipped by 5% following its inclusion in the FTSE Emerging Markets Index.

Your portfolio's NAV decreased by 3.7% during the month, whereas the benchmark declined by 4%. The fund benefited from limited exposure to the Saudi consumer sector which declined by 20%. However, exposure to Saudi Financials and off-index exposure in Egypt negatively impacted fund performance.

We expect the proposed cut in public sector allowance to have a significant impact on consumer spending as allowances account for ca.20% of the earnings of public sector employees. We see further downside risk in the consumer sector, as we believe the market is overestimating the earnings generating potential of that sector. Most consumer companies in Saudi are saddled with high financial leverage and operational leverage (fixed cost). As a result, any drop in revenue would have a disproportionate impact on earnings. In our estimation, this has not been factored in to the consensus earnings for the sector.

We have capitalized on the recent market declines by further increasing our allocations to petrochemicals and Saudi Financials. In the current context, we believe that the petrochemical sector looks relatively attractive, since product demand is likely to be insulated from the macro economic developments within Saudi Arabia. Although the increased risk of default (particularly in the contracting space) is a major concern, we believe it is largely priced-in at current valuations.

Investment Objective

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

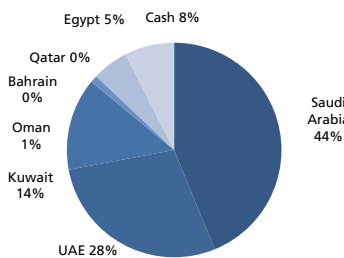
| Returns (%) | Fund | Index* |
|----------------------------------|-------|--------|
| Sep 2016 | -3.7 | -4.0 |
| YTD | -5.0 | -5.6 |
| 2015 | -6.2 | -14.6 |
| 2014 | 4.7 | 0.6 |
| Last 3 Months | -3.8 | -4.6 |
| Last 6 Months | 1.5 | -2.0 |
| Last 9 Months | -5.0 | -5.6 |
| Last 1 Year | -9.0 | -12.4 |
| Last 3 Years | -3.3 | -12.9 |
| Last 5 Years | 32.3 | 16.3 |
| Last 10 Years | 49.7 | -16.5 |
| Since Inception (Feb 11— Sep 16) | 159.7 | 87.4 |

* S&P GCC Total Return Index

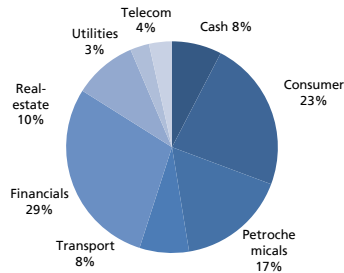
Fund Information

| | |
|-------------------------------------|--------------------------------------|
| 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 |

Asset Allocation



Sector Allocation



Key Statistics

| | Fund | Index |
|--------------------------------------------------|------------------------------|------------------------------|
| Price to Earnings Multiple TTM (x) | 13.2 | 12.8 |
| Price to Book Multiple Latest (x) | 1.5 | 1.3 |
| Return on Equity TTM (%) | 11.2 | 9.9 |
| Dividend Yield—2015 (%) | 3.7 | 4.3 |
| Number of Holdings | 32 | 107 |
| Annualized Return (%) - Last 5 years | 5.8 | 3.1 |
| Annualized Standard Deviation (%) - Last 5 years | 15.2 | 16.5 |
| Largest Monthly Gain (%) | 12.0 (Mar 05) | 11.2 (Aug 05) |
| Largest Monthly Loss (%) | -12.9 (Oct 08) | -13.0 (Oct 08) |
| % 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 (%) | 6.6 (Feb 16 to Sep16) | 5.6 (Feb 16 to Sep 16) |

Top Holdings

| Name | Country | (%) |
|------------------------|---------|-----|
| Al Rajhi Bank | KSA | 7.3 |
| Saudi Basic Industries | KSA | 6.5 |
| Aramex | UAE | 6.4 |

Risk Statistics (last 5 years)

| | |
|------------------------|------|
| Standard Deviation (%) | 15.2 |
| Sharpe Ratio | 0.18 |
| Tracking Error (%) | 4.4 |
| Information Ratio | 1.3 |
| Alpha (%) | 5.3 |
| Beta | 0.9 |

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