

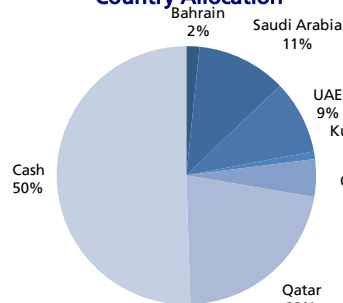
## Manager's Commentary

The regional markets continued their positive momentum in April and posted strong returns. Upbeat mood of the international markets along with increased foreign participation helped sustain buying inflows in the GCC region. Saudi Arabia was the best performing market during the month and appreciated by almost 20% on the back of a sharp rally in the petrochemical and banking sector stocks. The Qatari market, which lagged the other regional markets this year, managed to narrow the gap after rising 14.7% during the month. Kuwait and Oman also posted double digit returns on back of the positive sentiment in the markets.

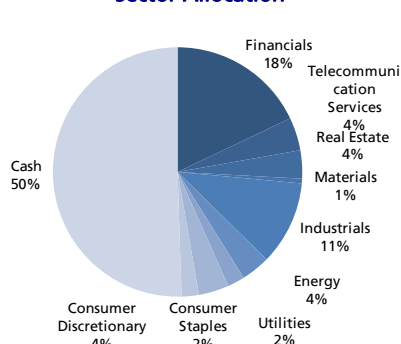
The net asset value of Khaleej Equity Fund continued its upward trend and increased by 11.8% for the month while extending its year to date return to 7.9%. The MSCI index, on the other hand, increased by 15.8% for the month and 2.5% for the year. During April, the fund benefited from the sharp rise in Qatari and Saudi holdings which attracted huge investor interest. On the other hand, the benchmark benefited primarily from the rise in Saudi equities such as Al Rajhi and SABIC which skyrocketed 37.2% and 19.1%, respectively. Both these stocks contributed to around 6% of the overall benchmark return. Against all expectations, SABIC's share price rallied after the company announced a loss during the first quarter. Similarly, Al Rajhi Bank gained ground despite being one of the most expensive banks in the world (P/B multiple of 3.9x).

During the month, we took advantage of the rally across the markets and exited / trimmed positions that were either non-core or have risen close to their target prices. Though there are some positive signs as oil prices seem to stabilizing and fiscal and monetary policies take effect, we believe that the markets have risen too fast too soon and may lead to periods of higher volatility. In view of this, we opted to preserve the fund's returns by having a higher cash allocation. Having said this, we would be closely monitoring the movement of the markets and the fund's overall asset allocation.

### Country Allocation



### Sector Allocation



## Fund Statistics

Price Earnings Multiple 2008 (x)	9.9
Price to Book Multiple Latest (x)	2.5
Dividend Yield 2008 (%)	5.1
Number of Holdings	26
Annualized Return (%)	11.7
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	64
Maximum Drawdown- Peak to Trough (%)	47.4
Length of Drawdown (months)	9
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*
April 2009	11.8	15.8
YTD 2009 (Jan - Apr)	7.9	2.5
Last 3 months	13.2	12.0
Last 6 months	-0.5	-18.2
Last 1 year	-37.4	-53.4
Last 3 years	-2.0	-54.0
Last 5 years	72.9	-53.9
2008	-33.9	-56.8
2007	43.9	44.1
2006	-13.9	-45.9
2005	56.8	77.5
2004 (Mar - Dec)	27.0	41.1
Since Inception (Mar 04- Apr 09)	75.8	-13.6

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

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 Gas	Qatar	3.7
Qatar National Bank	Qatar	3.7
Commercial Bank of Qatar	Qatar	3.2

## Risk Statistics

Annualised Standard Deviation (%)	20.1
Sharpe Ratio	0.3
Information Ratio	0.9
Beta	0.6
Alpha (%)	11.1

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