

Khaleej Equity Fund

Fact Sheet - June 30, 2009

NAV US\$187.49 ↓ 2.3%

Manager's Commentary

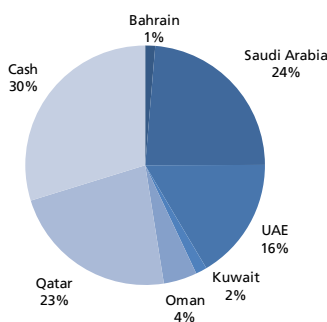
After three months of positive returns, investors cashed into the gains ahead of the summer season which has historically been a low activity period. Investors found a good opportunity to exit as the markets had increased by on average 40% in a very short period of time. Resultantly, all markets posted negative returns with the exception of Oman (+2%). Qatar, which was the best performing bourse during the last two months finally surrendered its ground and lost 7% of its value. Saudi Arabia and Dubai lost 5% each as investor booked profits in main blue chip stocks. Other markets dropped in the range of 1-3% as the overall sentiment in the markets weakened especially during the latter part of the month.

The NAV of Khaleej Equity Fund declined by 2.3% for the month as compared to a 2.6% decline in the benchmark. Khaleej Equity Fund is up 15% for the year as compared to a 12.7% rise in the benchmark. During the month, we trimmed our allocations in selected stocks across Qatar and the UAE that had risen sharply over the last three months. In addition, we either exited or significantly reduced our exposure to financial sector stocks in wake of the negative developments regarding the two troubled Saudi groups.

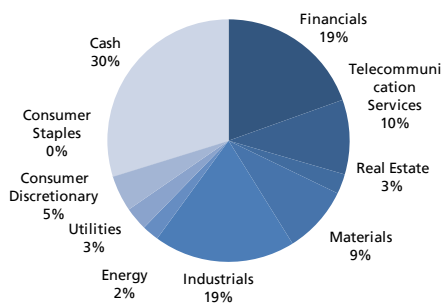
We have been expecting a correction for sometime as we were concerned about the pace and sustainability of the sharp market recovery that saw the GCC markets increase on average by 40% from the lows in March 2009. This was the primary reason for the high cash allocation and a defensively positioned portfolio during the last three months that resulted in the fund's underperformance as compared to the benchmark. As we have entered the summer season, we expect the markets to consolidate at around these levels. Moreover, the upcoming second quarter results season would be crucial in determining the short term direction of the markets. As at the end of the month, we have 30% in cash that we would look to deploy on market dips in stocks that we believe offer good long term prospects.

On a closing note, we are happy to inform you that Khaleej Equity Fund was rated second by Zawya Funds Monitor in the GCC Equity Fund category for the period 2005-2008. This is a further testament on our ability to deliver superior returns over a long term investment horizon.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	8.7
Price to Book Multiple Latest (x)	3.2
Dividend Yield 2008 (%)	4.5
Number of Holdings	33
Annualized Return (%)	12.7
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	63
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
June 2009	-2.3	-2.6
YTD 2009 (Jan - Jun)	15.0	12.7
Last 3 months	19.1	27.3
Last 6 months	15.0	12.7
Last 1 year	-33.5	-46.3
Last 3 years	13.8	-42.1
Last 5 years	75.1	1.1
2008	-33.9	-56.8
2007	43.9	44.1
2006	-13.9	-45.9
2005	56.8	86.1
2004 (Mar - Dec)	27.0	43.3
Since Inception (Mar 04- Jun 09)	87.5	1.2

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	3.7
Saudi Cables	Saudi	3.6
Industries Qatar	Qatar	3.4

Risk Statistics

Annualised Standard Deviation (%)	20.1
Sharpe Ratio	0.4
Information Ratio	0.7
Beta	0.6
Alpha (%)	9.9

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