

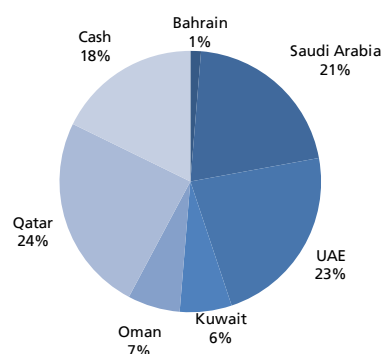
Manager's Commentary

The Gulf bourses extended their positive momentum into May as all of the six markets posted positive returns. Apart from the upward trend of international markets, the regional bourses got fresh impetus as oil prices reached the psychological barrier of US\$70/barrel. Qatar, after posting a strong performance during May, carried on its impressive run and appreciated by 24.6%. Dubai, which had lagged the other GCC markets this year, finally attracted huge buying interest that drove its benchmark up by 17.0%. Other markets such as Saudi Arabia, Abu Dhabi, Kuwait and Oman increased in the range of 5-8%. Bahrain was marginally up during the month.

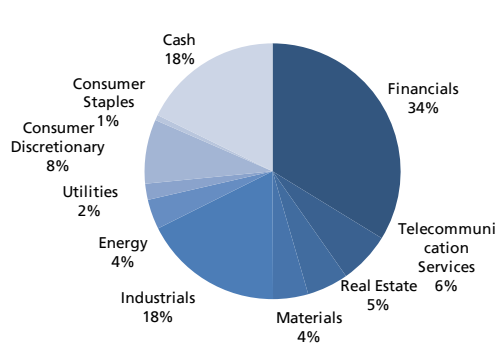
Khaleej Equity Fund's NAV appreciated by 9.1% for the month and extended its year to date return to 17.7%. On the other hand, the MSCI Index appreciated by 12.9% for the month and is up 15.7% for the year. During the month the fund participated in the rally across the markets, despite having some defensive stocks and a high cash allocation. Our stocks in Qatar continued to ride the rally as investor confidence heightened. Similarly, equities from the UAE also contributed to the overall fund's returns. The MSCI Index, on the other hand was boosted by a strong move by SABIC that contributed to around 4% to the overall return.

During the month, we realigned our portfolio by replacing defensive companies with stocks that are more growth oriented. In addition, we deployed cash into stocks which are fundamentally sound yet have lagged in terms of stock price performance during the last couple of months. As a result, the fund's cash allocation reduced to around 18% as at the end of the month. Having said this, as the markets have rallied strongly during the last two months, we are closely monitoring the direction of the markets and would alter our investment strategy accordingly.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	8.6
Price to Book Multiple Latest (x)	2.8
Dividend Yield 2008 (%)	4.6
Number of Holdings	37
Annualized Return (%)	13.4
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	65
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*
May 2009	9.1	12.9
YTD 2009 (Jan - May)	17.7	15.7
Last 3 months	28.3	41.8
Last 6 months	13.6	6.9
Last 1 year	-32.6	-45.3
Last 3 years	16.5	-40.6
Last 5 years	79.2	-8.7
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- May 09)	91.9	-2.4

* 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	KHALEYQY BI
Zawya Code	SICOKEF.MF
Fund Listing	Bahrain Stock Exchange
Custodian/ Administrator	HSBC Middle East, Bahrain

Top Holdings

Name	Country	(%)
Commercial Bank of Qatar	Qatar	5.0
BankMuscat	Oman	4.5
Saudi Cables	Saudi	4.3

Risk Statistics

Annualised Standard Deviation (%)	20.2
Sharpe Ratio	0.4
Information Ratio	0.8
Beta	0.6
Alpha (%)	11.6

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