

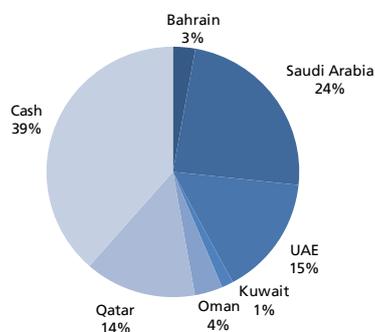
Manager's Commentary

The overall sentiment of the GCC markets remained weak, although some markets showed positive signs during the month. This was in line with the global markets that continued to witness high volatility on the back of negative newsflow regarding the depth and breadth of the recession. Within the GCC, Qatar continued its descent and fell by 15.5% during February, after losing 23.7% in January. The banking sector and the index heavyweight, Industries Qatar weighed on the overall market as the latter's poor fourth quarter results triggered a major selloff. Kuwait, as measured by the official price weighted index, declined by 4.7% amidst political uncertainty and ambiguity regarding the bailout package. On the other hand, MSCI Kuwait, which is a market capitalization weighted index, fell 12.4% during the same period which is more reflective of the steep correction in the large caps. Saudi Arabia succumbed to the selling pressure towards the end of the month (-8.8%) after holding firm during the last two months.

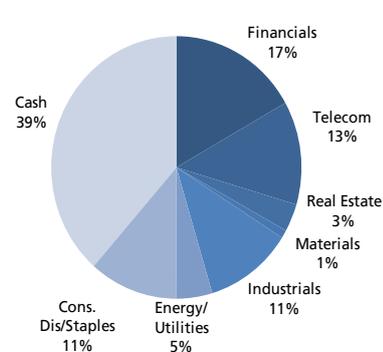
On the other hand, both Abu Dhabi and Dubai showed some support and increased by 5.3% and 2.5%, respectively. The markets reacted positively to Dubai government's decision to issue US\$20bn worth of bonds and capital injection into the Abu Dhabi based banks. Oman also managed to close in the positive territory albeit marginally, as the Stabilization fund started investing.

The NAV of Khaleej Equity Fund declined by 3.7% for the month as compared to 10.9% drop in the benchmark. During the month, we took advantage of the steep declines in Qatar and increased our exposure to companies which we believe are fundamentally sound. In addition, apart from exiting most of our Kuwaiti holdings, we invested in stocks within the telecom and consumer goods sectors, where we believe the downside potential is limited yet offer decent long term prospects. As at the end of the month, the fund still has around 40% in cash, which we would deploy as and when investment opportunities arise.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	8.3
Price to Book Multiple Latest (x)	2.1
Dividend Yield 2007 (%)	4.8
Number of Holdings	30
Annualized Return (%)	8.5
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*
February 2009	-3.7	-10.9
YTD 2009 (Jan - Feb)	-8.3	-18.4
Last 3 months	-11.4	-24.6
Last 6 months	-41.6	-57.7
Last 12 months	-44.7	-63.7
2008	-33.9	-56.8
2007	43.9	44.1
2006	-13.9	-45.9
2005	56.8	77.5
2004 (Apr - Dec)	27.0	41.1
Since Inception (Apr 04- Feb 09)	49.6	-31.2

* 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 Telecom	Qatar	4.4
Jarir Marketing	Saudi	4.1
Etihad Etisalat	Saudi	4.0

Risk Statistics

Annualised Standard Deviation (%)	19.7
Sharpe Ratio	0.2
Information Ratio	0.9
Beta	0.6
Alpha (%)	10.4

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