

SICO Gulf Equity Fund

Fact Sheet - December 2013

NAVUS\$131.1 ↑ 2.9%

Adjusted (for dividends) NAVUS\$143.3

Manager's Commentary

The Fed's decision to taper the QE3 program was the highlight of the month. Instead of negatively reacting to it, the US market increased in response to strong economic data. The GCC markets, along with other developed markets also ended the year on a positive note. Dubai stole the limelight once again as it rallied 14.4% in the wake of the Expo 2020 win, followed by Abu Dhabi (+11.4%). The Saudi market increased by 2.5%, while Bahrain and Oman rose by 3.3% and 1.9% respectively. The Qatari market was flat, whereas Kuwait was the only GCC market to decline (-1.3%).

The fund generated a return of 2.9% for the month extending its full year return to 32.4%. During the past few months the fund has underperformed its benchmark mainly due to our conservative asset allocation and defensive stock positioning especially within the UAE markets. However, we still managed to outperform the benchmark due to the healthy returns generated in the first half of the year. Although the investor appetite in the UAE is strong, pockets of bubbles have started developing in the small and midcap segment of the market and could trigger a sharp correction at some stage going forward. For example several small and mid-cap names have increased between 200-300% in 2013 despite little or no change in their fundamentals. Therefore, our focus in the UAE market is on selective blue chip names that have lagged the rally and hence have better potential to produce stable long term returns. We are also optimistic on Qatari and Omani equities and we expect these two markets to generate steady returns.

It is pertinent to note that, since the inception of the fund in Feb 2006, the GCC markets have experienced two market crashes – in 2006 & 2008, followed by a recovery starting in March 2009. Over this 8 year eventful period, your fund has produced a return of 43.3% whereas its benchmark has dropped 33.2%. The fund has managed to produce this huge alpha over the long term mainly due to our conservative asset allocation and prudent stock picking which focuses on the underlying investments rather than focusing on short term momentum driven rallies.

As we enter 2014, most of the obstacles on the path of the global economic recovery seem to have been cleared. Flares in the regional political arena have also been contained. Although the valuations do not look cheap anymore, the positive economic and political backdrop should continue to provide support to the regional markets. Therefore, we intend to remain invested in the market and focus on blue chip names with stable earnings and attractive yields.

Investment Objective

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

Returns (%)

	Fund	Index*
Dec 2013	2.9	4.6
2013	32.4	27.4
2012	6.1	1.4
2011	-8.2	-14.0
2010	11.6	18.4
2009	12.9	-1.1
2008	-30.8	-53.4
2007	37.2	38.2
2006 (Feb – Dec)	-7.2	-20.2
Last 3 months	4.0	6.5
Last 6 months	9.7	13.6
Last 1 year	32.4	27.4
Last 3 years	28.9	11.1
Last 5 years	62.5	30.1
Since Inception (Feb 06 – Dec 13)	43.3	-33.2

* S&P GCC ex Saudi Index

Fund Information

Launch Date	March 2006
Management Fee	1.5%
Performance Fee	10% over 10%
Subscription & Redemption	Weekly
Dealing Day	Wednesday
Subscription & Redemption Deadline	Two Business days before Dealing Day
Minimum Subscription	US\$100,000
Bloomberg Code	SICGULF BI
Zawya Code	SICOGEF.MF
Fund ISIN Code	BH000A1CZ855
Custodian/ Administrator	HSBC Bahrain

Top Holdings

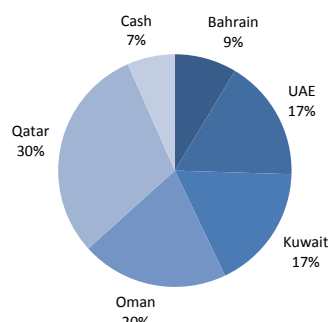
Name	Country	(%)
Bank Muscat	Oman	5.9
Qatar Electricity and Water	Qatar	5.5
Oman Telecommunications Co.	Oman	5.5

Risk Statistics

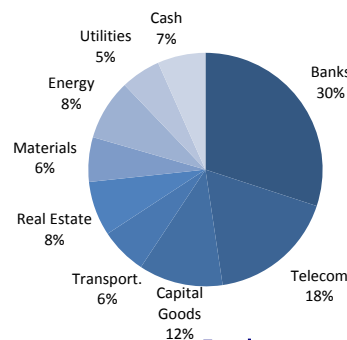
Annualised Standard Deviation (%)	17.1
Sharpe Ratio*	0.57
Tracking Error (%)	9.9
Information Ratio	1.0
Beta	0.7
Alpha (%)	7.5

* Sharpe ratio is based on last 3 years' data
For further information contact assetmanagement@sicobahrain.com

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	13.2	14.4
Price to Book Multiple Latest (x)	2.1	1.7
Return on Equity TTM (%)	16.0	11.8
Dividend Yield - 2012 (%)	4.2	3.5
Number of Holdings	28	125
Annualized Return (%)	4.7	-5.0
Annualized Standard Deviation (%)	17.1	21.1
Largest Monthly Gain (%)	12.6 (Apr 09)	15.4 (May-09)
Largest Monthly Loss (%)	-14.9 (Oct 08)	-24.4 (Oct-08)
% of Positive Months	60	50
Success Ratio (%)	63	NA
Maximum Drawdown-Peak to Trough (%)	-47.8	-67.5
Length of Drawdown (months)	9	12
Recovery from Maximum Drawdown (%)	78.0	70.9

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بنك استثماري sico
Investment Bank

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