

SICO Gulf Equity Fund

Fact Sheet - December 2014

NAVUS\$118.76 ↓ 8.1%

Adjusted (for dividends) NAVUS\$149.30

Manager's Commentary

December was characterised with unusual volatility. The GCC ex Saudi index fell as much as 15% during the first half of the month, before rebounding sharply to limit the monthly decline to less than 5%. Oil continued its free fall and dropped another 15% bringing its yearly decline to over 47%. The regional markets have been battered severely during the fourth quarter, with Dubai (-25%) and Saudi Arabia (-25%) being hit the hardest. However, owing to the strong performance during the first nine months of the year, markets such as UAE and Qatar are still in the positive territory and consequently, the GCC ex Saudi index ended the year with a 3.2% return.

December was a challenging month and the fund considerably underperformed its benchmark. Although we were doing reasonably well till then year to date, in December our stop losses were triggered and hence we further increased our cash allocation in order to limit additional losses. Therefore, when the markets recovered during the second half, the fund could not fully capture the upside. Despite this blip, the fund managed to end the year with a 4.2% return, marginally outperforming its benchmark.

We believe that the overall returns of the GCC markets in 2015 are going to be at best modest single digit mainly due to suppressed corporate earnings. We are in the process of recalibrating our bottom up earnings estimates for 2015 but at this stage all we can say is that we will be pleasantly surprised if the GCC markets can manage to produce single digit growth in 2015. Having said this, we feel that there are many gems lying around in the market wreckage of the past few months. For example Emaar Properties whose profitability is least sensitive to oil has fallen as much as petrochemicals such as SABIC which will be directly impacted by lower oil. Hence we think that active management, stock picking and conviction investing will play a critical role in 2015 for generating superior risk adjusted returns.

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*
December 2014	-8.1	-4.5
2014	4.2	3.2
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
Last 3 months	-14.1	-13.7
Last 6 months	-3.1	-2.7
Last 1 year	4.2	3.2
Last 3 years	46.4	33.3
Last 5 years	49.9	35.8
Last 7 years	17.2	-37.4
Since Inception (Feb 06 – Dec 14)	49.3	-31.0

* 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

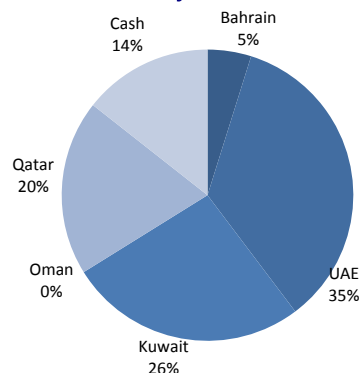
Name	Country	(%)
Al Meera Consumer	Qatar	5.1
VIVA Kuwait	Kuwait	5.0
Zain Telecom	Kuwait	4.8

Risk Statistics (last 5 years)

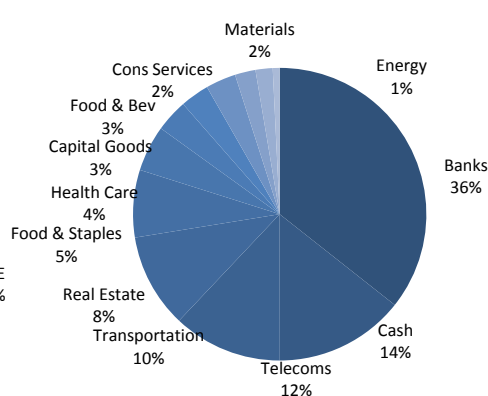
Annualised Standard Deviation (%)	13.7
Sharpe Ratio	0.4
Tracking Error (%)	6.6
Information Ratio	0.3
Beta	0.8
Alpha (%)	2.9

For further information contact assetmanagement@sicobahrain.com

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	12.1	13.8
Price to Book Multiple Latest (x)	1.4	1.7
Return on Equity TTM (%)	12.0	12.5
Dividend Yield - 2013 (%)	4.7	3.5
Number of Holdings	31	166
Annualized Return – last 5 years (%)	8.4	6.3
Annualized Standard Deviation – last 5 years (%)	13.7	15.0
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	61	52
Success Ratio (%)	61	NA
Maximum Drawdown-Peak to Trough (%)	-47.8	-67.5
Length of Drawdown (months)	9	12
Recovery from Maximum Drawdown (%)	88.4	76.4

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