

Manager's Commentary

All regional markets recorded positive returns in December that helped the indices close the year with 5-10% returns. The GCC ex Saudi index rose 5.3% on the back of gains experienced mainly in Qatar and the UAE. The Qatari market reversed previous months' losses on the back of renewed interest in the large caps as market participants began positioning themselves ahead of the FTSE rebalancing expected in first quarter of 2017. UAE bourses also saw foreign interest with stocks such as Emaar Properties and other blue chip companies leading the rise.

The fund recovered 5% in December as our core holdings across the markets rose. As a result, the fund ended the year flat but significantly underperformed its benchmark. It was a tough year as our off benchmark exposure to Egypt negatively contributed in dollar terms given the sharp depreciation of its currency (more than 80%) post the floatation in November. Another reason was due to our decision not to invest in Qatari and UAE large caps that benefited from an influx of passive flows throughout the year. One such example was the index heavyweight Etisalat that appreciated over 20% after increasing by over 50% in 2015. This is by far the most expensive telecom company in the region and probably globally trading at 18x earnings with minimal growth.

We are confident that our performance will be back on track this year. We have slightly rebalanced the fund focusing more on UAE and Egypt as we expect both these markets to outperform in 2017. Our main investment themes include: a) investing in companies that have the potential to undergo mergers and acquisitions such as Abu Dhabi based banks, b) focusing on recurrent earnings within the real estate space c) selectively investing in stocks that can potentially benefit from passive flows and d) investing in companies that offer dividend yields of 5% or more.

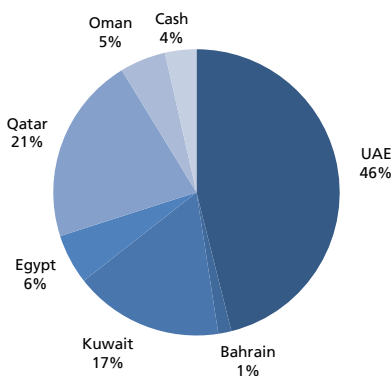
Investment Objective

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.

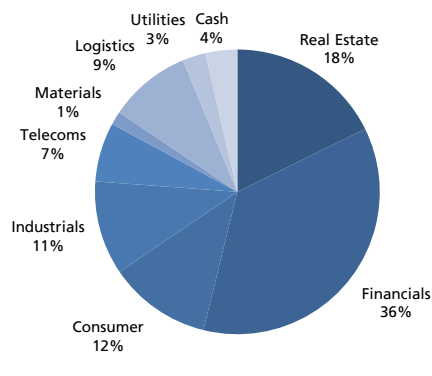
| Returns (%) | Fund | Index* |
|---------------------------------|------|--------|
| Dec 2016 | 5.2 | 5.3 |
| YTD (Dec 2016) | 0.0 | 9.2 |
| 2015 | 1.8 | -17.5 |
| 2014 | 4.2 | 3.3 |
| Last 3 Months | -0.5 | 3.0 |
| Last 6 Months | 0.3 | 7.4 |
| Last 9 Months | -0.9 | 5.8 |
| Last 1 Year | 0.0 | 9.2 |
| Last 3 Years | 6.1 | -0.1 |
| Last 5 Years | 49.0 | 39.3 |
| Last 10 Years | 63.8 | 9.7 |
| Since Inception (Mar 06-Dec 16) | 52.0 | -10.6 |

*S&P GCC ex Saudi Total Return Index

Country Allocation



Sector Allocation



Key Statistics

| | Fund | Index |
|--|------------------------------|------------------------------|
| Price to Earnings Multiple TTM (x) | 11.5 | 13.2 |
| Price to Book Multiple Latest (x) | 1.5 | 1.3 |
| Return on Equity TTM (%) | 14.7 | 12.4 |
| Dividend Yield—2015 (%) | 3.7 | 4.5 |
| Number of Holdings | 32 | 154 |
| Annualized Return (%) - Last 5 years | 8.3 | 6.9 |
| Annualized Standard Deviation (%) - Last 5 years | 13.4 | 15.5 |
| Largest Monthly Gain (%) - Last 5 years | 9.0 (Apr 15) | 9.3 (Jul 14) |
| Largest Monthly Loss (%) - Last 5 years | -9.0 (Jun 14) | -13.6 (Jun 14) |
| % Positive Months (%) | 57 | 52 |
| Success Ratio (%) - Last 5 years | 57 | NA |
| Latest Drawdown-Peak to Trough (%) | -20.3 | -33.0 |
| Duration of Drawdown (months) | (17mths) Aug 14 to Jan 16 | (21mths) May 14 to Jan 16 |
| Recovery from Latest Drawdown (%) | 9.8 Feb 16 to Dec 16 | 20.7 Feb 16 to Dec 16 |

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 the 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 | (%) |
|------------------|---------|-----|
| Emaar Properties | UAE | 7.8 |
| Industries Qatar | Qatar | 6.3 |
| BankMuscat | Oman | 5.2 |

Risk Statistics (last 5 years)

| | |
|------------------------|------|
| Standard Deviation (%) | 13.4 |
| Sharpe Ratio | 0.4 |
| Tracking Error (%) | 5.6 |
| Information Ratio | 0.3 |
| Alpha (%) | 2.2 |
| Beta | 0.8 |

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بنك استثماري sico
Investment Bank

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