

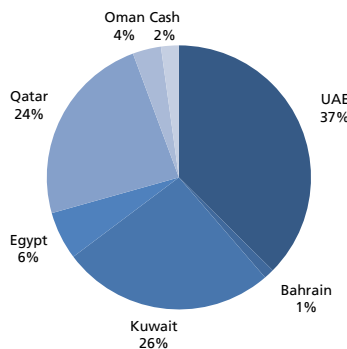
Manager's Commentary

The GCC ex Saudi index started the year on a strong note and appreciated by 4.7% in January. This was primarily due to the 12.4% rise in Kuwait, the highest increase seen in many years. The market rallied on the back of aggressive buying seen across the board in anticipation of the major increase of Kuwait's weight in the MSCI Frontier Market Index expected in July. Given that Pakistan is moving to the Emerging Markets and a decision is pending regarding Argentina, Kuwait's dominance in the MSCI Frontier Market index will further increase and result in substantial passive inflows. The rest of the markets were relatively subdued but still managed to post positive returns; Dubai (+3.2%), Qatar (1.5%)

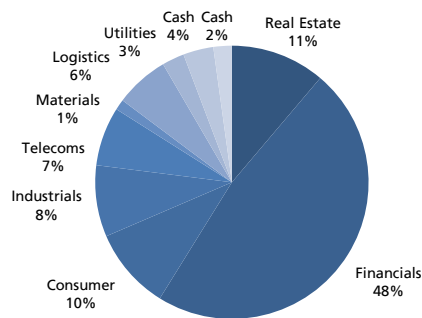
The fund appreciated by 1.4% in January and underperformed its benchmark mainly due to our lower allocation to Kuwait which was the best performing bourse. Although we had decent exposure to the large caps such as Zain Telecom and National Bank of Kuwait, we were surprised by the magnitude of interest seen across the board and especially within the small to mid-cap segment (where stocks appreciated 30-50%) considering that such companies might not necessarily receive material passive flows.

Whilst we added to some large caps in Kuwait and also invested in a new core investment that went through a secondary offering, we would wait for a correction before we consider further increasing our exposure. Nonetheless, we would avoid companies in the small to mid-cap segment as we expect the market to rationalize that they might not benefit from passive flows. We are confident that once this euphoria fizzles out we will be able to catch up to the benchmark given our positioning in Egypt and the UAE.

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price to Earnings Multiple TTM (x)	12.1	13.9
Price to Book Multiple Latest (x)	1.5	1.3
Return on Equity TTM (%)	15.7	12.0
Dividend Yield—2015 (%)	3.8	4.3
Number of Holdings	38	154
Annualized Return (%) - Last 5 years	8.6	8.0
Annualized Standard Deviation (%) - Last 5 years	13.5	15.6
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 (%)	11.4 Feb 16 to Jan 17	26.3 Feb 16 to Jan 17

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*
Jan 2017	1.4	4.7
YTD (Jan 2017)	1.4	4.7
2016	0.0	9.2
2015	1.8	-17.5
Last 3 Months	5.2	10.1
Last 6 Months	-2.7	8.3
Last 9 Months	-0.3	8.5
Last 1 Year	11.4	26.3
Last 3 Years	3.5	-0.6
Last 5 Years	50.7	46.7
Last 10 Years	65.1	17.6
Since Inception (Mar 06- Jan 17)	54.2	-6.4

*S&P GCC ex Saudi Total Return 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 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
National Bank of Kuwait	Kuwait	6.5
Industries Qatar	Qatar	6.1

Risk Statistics (last 5 years)

Standard Deviation (%)	13.5
Sharpe Ratio	0.4
Tracking Error (%)	5.6
Information Ratio	0.1
Alpha (%)	1.5
Beta	0.8

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بنك استثماري sico
Investment Bank

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