

Manager's Commentary

In the month of August regional markets increased by 1.1%, steered by Kuwait and Saudi Arabia which increased by 4.2% and 2.3% respectively. The gains in the two markets were driven by speculation that Kuwait and Saudi Arabia would be upgraded in to the FTSE Emerging Market index. Conversely, the Qatari market fell 6.4%, largely due to foreign selling. Decline in financials contributed to a 2% fall in the Bahraini market, while Oman and UAE broadly remained flat.

The fund increased by 2% in August, while the benchmark was up by 1.1%. Our fund's outperformance is mainly attributable to 13% increase in Zain Kuwait, 8% increase in Al Rajhi Bank, and the overall decline in the Qatari market. Zain's share price rallied after Omantel offered to acquire 10% of Zain's treasury shares at a 20% premium over the closing price. Zain would receive approximately USD 800m from this transaction, and this would ensure that the company has sufficient resources to maintain its healthy dividend payout. Over the past two months, foreign institutional investors have been aggressively buying in to Al Rajhi Bank; this in turn increased local investor appetite for the stock, contributing to gains during the month.

In the upcoming FTSE review in September, it is widely expected that Saudi Arabia and Kuwait may be upgraded to the Emerging Market index. Saudi Arabia is expected to have a weight of ca. 2.5% (ca. USD 4 billion of inflows) and Kuwait 0.5% (ca. USD 1 billion of inflows). While we are generally reticent to make significant allocation changes purely on Index upgrades, given the high probability of this outcome and our positive view on large caps in general, we increased our exposure to the existing large cap investments of the portfolio in both the markets.

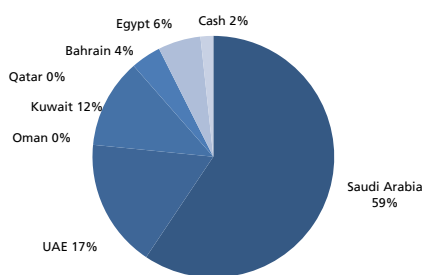
Investment Objective

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

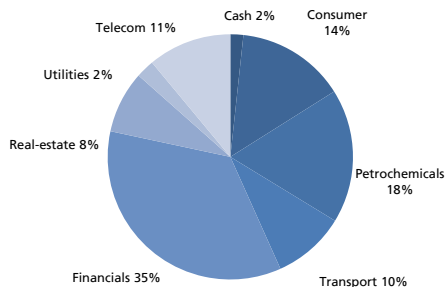
Returns (%)	Fund	Index*
August 2017	2.0	1.1
YTD (August17)	6.7	4.8
2016	5.8	8.5
2015	-6.2	-14.6
2014	4.7	0.6
Last 3 Months	4.9	4.5
Last 6 Months	3.8	3.8
Last 1 Year	14.3	15.7
Last 3 Years	-11.2	-23.9
Last 5 Years	42.6	25.4
Last 10 Years	50.9	6.3
Since Inception (March 04 to August 2017)	208.5	125.8

* S&P GCC Total Return Index

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price to Earnings Multiple TTM (x)	14.6	15.9
Price to Book Multiple Latest (x)	1.6	1.5
Return on Equity TTM (%)	9.4	10.0
Dividend Yield—2016 (%)	3.2	3.7
Number of Holdings	30	300
Annualized Return (%) - Last 5 years	7.4	4.6
Annualized Standard Deviation (%) - Last 5 years	14.8	16.0
Largest Monthly Gain (%) - Last 5 years	12.0 (April 15)	11.2 (April 15)
Largest Monthly Loss (%) - Last 5 years	-12.9 (Aug 15)	-13.0 (Aug 15)
% Positive Months (%)	56	54
Success Ratio (%) - Last 5 years	46	NA
Latest Drawdown-Peak to Trough (%)	-29.2	-40.2
Duration of Drawdown (months)	17mths (Aug 14 to Jan 16)	17mths (Aug 14 to Jan 16)
Recovery from Latest Drawdown (%)	25 (Feb 16 to Aug17)	27 (Feb 16 to Aug 17)

Fund Information

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10%
Subscription & Redemption	Weekly
Dealing Day	Thursday
Subscription & Redemption Dead-line	Two Business days before dealing day
Minimum Subscription	USD 100,000
Bloomberg Code	KHALEQY BI Equity
Fund ISIN Code	BH000A1C28W7
Custodian / Administrator	HSBC Bahrain

Top Holdings

Name	Country	(%)
Emaar Properties	UAE	8.0
Al Rajhi Bank	KSA	7.2
Zain Saudi	KSA	5.9

Risk Statistics (last 5 years)

Standard Deviation (%)	14.8
Sharpe Ratio	0.3
Tracking Error (%)	4.6
Information Ratio	1.5
Alpha (%)	6.8
Beta	0.9

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