

Manager's Commentary

Regional markets ended broadly flat in the month of September despite a number of market-moving events that took place during the month. In the FTSE review in September, Kuwait was upgraded to the Emerging Market classification; the ultimate inclusion would most likely come in to effect in two phases, September 2018 and March 2019. In contrast, Saudi Arabia was not upgraded during the latest review. Kuwait and Saudi Arabia ended flat for the month. The rest of the markets, apart from Oman fell in the range of 2-6%. During the month, Qatar was the worst performing market, falling by 6%.

The fund increased by 1.3% while the benchmark fell 0.6%. Increases in the price of petrochemicals, gains in Zain group in Kuwait, and declines experienced in the Qatari market contributed to the outperformance of the fund. Investor appetite for the petrochemical sector improved due to an increase in end-product prices. An increase in the price of oil, capacity shutdowns in the US resulting from the impact of Hurricane Harvey, and higher than expected demand from China contributed to the increase in end product prices of petrochemicals.

The FTSE has indicated that it is very likely that the Kingdom would be upgraded to the Emerging Market classification in the next review (March 2018). Even if this were to happen, the Saudi market would only benefit from passive flows in 2019/2020. However, the announcement of the potential upgrade is likely to highlight the Kingdom to a new breed of investors. This increased exposure is likely to stimulate active flows which should benefit the financial and petrochemical sectors, as they are trading at relatively attractive multiples compared to their Emerging Market peers.

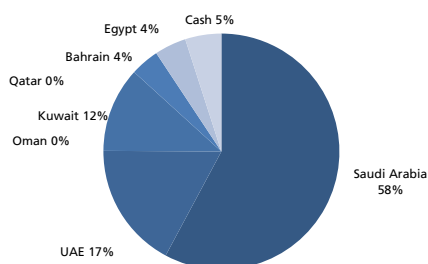
Investment Objective

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

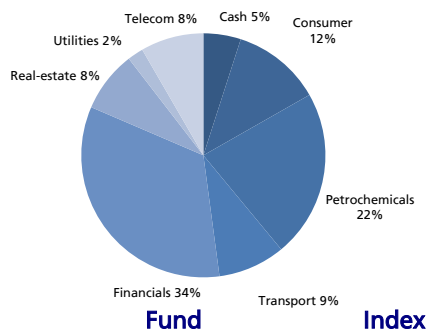
Returns (%)	Fund	Index*
September 2017	1.3	-0.6
YTD (Sep 2017)	8.1	4.2
2016	5.8	8.5
2015	-6.2	-14.6
2014	4.7	0.6
Last 3 Months	3.2	0.6
Last 6 Months	4.8	3.3
Last 1 Year	15.8	15.1
Last 3 Years	-9.6	-23.3
Last 5 Years	47.3	26.3
Last 10 Years	50.7	5.3
Since Inception (March 04 to Sep 2017)	212.6	124.5

* S&P GCC Total Return Index

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price to Earnings Multiple TTM (x)	13.9	15.8
Price to Book Multiple Latest (x)	1.5	1.5
Return on Equity TTM (%)	11.4	9.6
Dividend Yield—2016 (%)	3.2	3.7
Number of Holdings	30	300
Annualized Return (%) - Last 5 years	8.0	4.8
Annualized Standard Deviation (%) - Last 5 years	14.6	15.5
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 (%)	60	57
Success Ratio (%)	49	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 (%)	27% (Feb 16 to Sep17)	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	6.9
SADAFCO	KSA	5.7

Risk Statistics (last 5 years)

Standard Deviation (%)	14.6
Sharpe Ratio	0.4
Tracking Error (%)	4.5
Information Ratio	1.7
Alpha (%)	7.5
Beta	0.9

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