

Khaleej Equity Fund

Fact Sheet - January 31, 2008

NAV US\$253.23 ↑ 2.7%

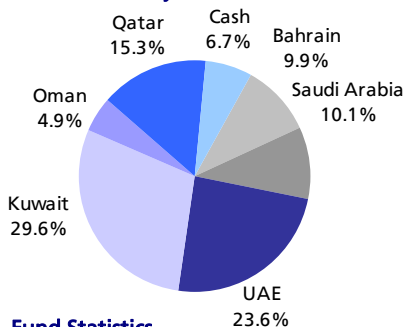
Manager's Commentary

The global markets exhibited volatility and dropped sharply during January amidst concerns of a slowdown in global economic growth. The GCC markets were unable to remain insulated from these developments, and also crashed as evident by an 8.6% decline in the MSCI GCC Index. The primary driver of this correction has been sell-off from foreign investors looking to cover losses incurred in other markets and to lock in their already generated profits. The correction was further exacerbated by the herding behaviour of domestic retail investors who joined the foreign investors in the sell off. Saudi market's decline was the sharpest and most unexpected as it is entirely closed to the foreign investors. However, a sharp surge of over 40% in the fourth quarter, coupled with lower than expected fourth quarter results and premium valuations relative to other GCC markets, may partly explain the decline in Saudi.

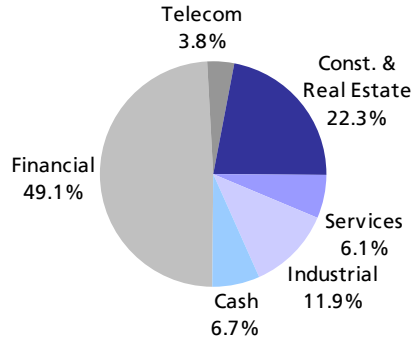
Despite the 8.6% slide in the MSCI GCC Index, the NAV of Khaleej Equity Fund appreciated by 2.7% for the month due to our prudent asset allocation and stock picking. Our equity investments in Kuwait and the UAE such as Kuwait Projects Company (KIPCO) (29%), Arabtec (20%) and Global Investment House (13%), contributed positively to the fund's returns. We are bullish on the earnings potential of KIPCO and its subsidiaries. Arabtec also continues to be attractive given its healthy backlog of projects. The stock price appreciated by 20% after the company announced a healthy growth in its annual profits. Global Investment is also set to grow through overseas expansion. On the other hand, our top holding, Emaar Properties, lost 19% due to weak foreign investor sentiment and lower than expected management guidance for 2008 earnings.

During the month, we significantly reduced our position in Saudi equities due to steep valuations. Our careful timing and exit strategy was vindicated as the market underwent a sharp correction. Further, we built positions in Tamweel and Doha Bank. Tamweel has high growth prospects given the boom in real estate and housing finance, while Doha Bank is an undervalued stock and offers significant upside potential. We also increased our exposure in Qatari stocks like Qatar Islamic Bank and Qatar National Bank, as well as Burgan Bank and National Industries in Kuwait. Moreover, we booked profits in Industries Qatar. After rebalancing the portfolio, cash allocation reduced to 6.7%. Our future strategy is to take advantage of the prevalent market corrections and invest in stocks that we believe have strong fundamentals and now offer cheap valuations.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2007 (x)	13.1
Dividend Yield 2006 (%)	3.4
Number of Holdings	35
Annualized Return (%)	27.4
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-8.2 (May 06)
% of Positive Months	74
Maximum Drawdown- Peak to Trough (%)	44.6
Length of Drawdown (months)	10
Time to Recovery (months)	12

Securities & Investment Company BSC (c)
P.O. Box 1331, Manama, Kingdom of Bahrain
Tel: +973 1751 5000 Fax: +973 1751 4000
CR No: 33469
www.sico-bahrain.com

شركة الأوراق المالية والاستثمار ش.م.ب (م)
صوب: 1331، المنامة، مملكة البحرين
هاتف: +973 1751 5000 فاكس: +973 1751 4000
سجل تجاري رقم 33469



Investment Objective

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

Fund Returns (%)

	Fund	MSCI GCC Index
January 2008	2.7	(8.6)
Last 3 months	13.8	4.7
Last 6 months	23.6	15.7
Last 12 months	47.5	37.6
2007	43.9	44.1
2006	(13.9)	(45.9)
2005	56.8	77.5
2004 (Apr - Dec)	27.0	41.1
Since Inception (Mar'04-Jan '08)	153.2	78.3

* Prior to 2005, a domestic GCC index was used

Fund Information

Launch Date	March 15, 2004
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Monthly
Subscription Deadline	Five Business days before month end
Redemption Deadline	Ten Business days before month end
Minimum Subscription	US\$100,000
Reuters Code	LP65038262
Bloomberg Code	KHALEQY BI
Zawya Code	SICOKEF.MF
Fund Listing	Bahrain Stock Exchange
Custodian	Gulf Clearing Company

Top Holdings

Name	Country	(%)
Emaar Properties	UAE	7.1
Arabtec	UAE	4.9
Kuwait Projects Company	Kuwait	4.9

Risk Statistics

Annualised Standard Deviation (%)	15.4
Sharpe Ratio	1.46
Information Ratio	0.64
Beta	0.45
Alpha (%)	17.3

For further information please contact:
marketing@sicobahrain.com

