

Khaleej Equity Fund

Fact Sheet - July 31, 2008

NAV US\$277.22 ↓ 1.6%



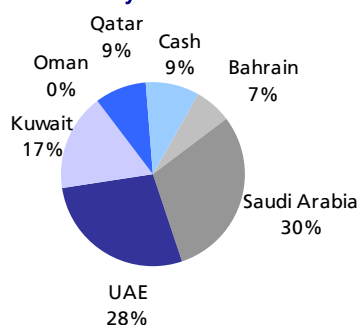
Manager's Commentary

Half way through the holiday season, the regional markets continued their downward trend that commenced in June. Abu Dhabi was the lone performer for the month increasing by 0.5% owing to appreciation in the heavy weights. Meanwhile, Saudi Arabia resumed its negative performance and fell 6.5% as a major IPO sucked liquidity from the secondary market. Oman dropped 5.2% during the month, accentuated by below than expected result announcements by selected blue chip companies. Kuwait, after increasing for seven consecutive months, witnessed profit taking resulting in the benchmark declining by 3.1%. Bahrain, Qatar and Dubai declined by 2.2%, 1.9% and 0.7%, respectively.

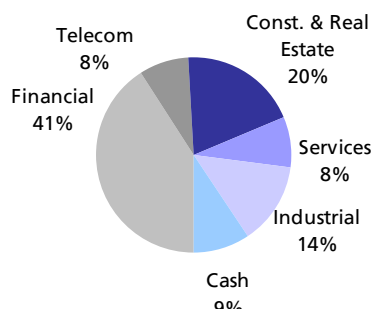
The NAV of Khaleej Equity Fund declined by 1.6% during the month as compared to a 4.8% drop in the MSCI GCC index. Arabtec and KIPCO were the fund's main positive contributors during the month. Arabtec continued its positive momentum (+17.6%) after sealing new contracts which reinforced investor confidence in its long term growth prospects. This coupled with exceptional first half earnings (PAT + 191% YoY) resulted in a strong rally in its share price. KIPCO appreciated by 12.9% after announcing first half profits (+36% on YoY basis). On the other hand, the fund's performance was restricted due to selected stocks in Saudi Arabia and Qatar, namely Saudi Cables (-11.5%), Arabian Pipes (-8.6%), SABIC (-7.8%) and Qatar Telecom (-11.0%).

During the month, we trimmed exposure in stocks that outperformed or reached close to our target prices. As a result, the fund's overall cash allocation has increased to 9.5%. We would take advantage of any further declines in the regional markets to build positions in stocks that offer decent upside potential. The P/E valuations of the GCC markets have contracted from 15x-20x at the beginning of the year to 10x-15x due to the drop in share prices as well as growth in earnings. Despite growth in first half profits in excess of 20%, markets have remained lacklustre. We believe this divergence is temporary and therefore remain confident on the region's long term prospects.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	11.1
Price to Book Multiple Latest (x)	3.1
Dividend Yield 2007 (%)	3.1
Number of Holdings	45
Annualized Return (%)	26.5
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-8.2 (May 06)
% of Positive Months	73
Maximum Drawdown- Peak to Trough (%)	21.8
Length of Drawdown (months)	10
Time to Recovery (months)	12

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
July 2008	-1.6	-4.8
Year to Date 2008	12.4	-13.7
Last 3 months	-1.4	-9.2
Last 6 months	9.5	-5.6
Last 12 months	35.3	9.2
2007	43.9	44.1
2006	-13.9	-45.9
2005	56.8	77.5
2004 (Apr - Dec)	27.0	41.1
Since Inception	177.2	68.3

* Prior to 2005, a domestic GCC index is used

Fund Information

Launch Date	March 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/ Administrator	HSBC Middle East, Bahrain

Top Holdings

Name	Country	(%)
Emaar Properties	UAE	6.3
SABIC	Saudi	4.8
Arabtec	UAE	4.6

Risk Statistics

Annualised Standard Deviation (%)	15.3
Sharpe Ratio	1.41
Information Ratio	0.81
Beta	0.46
Alpha (%)	17.9

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