

Khaleej Equity Fund

Fact Sheet - May 31, 2008

NAV US\$284.58  1.3%



Manager's Commentary

The GCC markets lost steam in May after posting strong returns in April as evident by a 4.0% drop in the MSCI GCC index. The Saudi market which lost 6% was the worst performing market in the region and the major contributor to the decline in the MSCI GCC index due to its high weight in the index. In the UAE, Dubai declined by 1% while Abu Dhabi remained flat. Similarly, Kuwait and Bahrain moved in a narrow band and posted modest gains. Qatar (+5%) and Oman (+3%) were the only exceptions where the positive momentum remained intact.

Much of the excitement surrounding the first quarter results and dividend payouts cooled off during the month. Instead some of the regional markets experienced volatility following the sharp gains in April. This was particularly true for the Saudi market as stock prices fell across several sectors, noticeably amongst banking stocks. Interestingly however, banking stocks in Qatar retained buyers' interest in line with the upswing in the market and recorded healthy gains.

The NAV of Khaleej Equity Fund appreciated by 1.3% in May, outperforming the MSCI GCC Index which dropped by 4.0%. Our fund performed well on two counts; firstly, our investments in Qatar and Kuwait recorded appreciable gains, and secondly, our conservative strategy regarding Saudi banks helped us in minimizing losses to a great extent. One of our top holdings, Agility, reaped a solid gain of 20% in May. The stock revived investor interest upon renewal of a \$2.8bn US military contract. Our overall fund strategy for the month was to increase our exposure in some financial companies in Kuwait, real estate and construction companies in the UAE and some select non-financial stocks in Saudi. On the other hand, we did some profit taking in Qatar in order to take advantage of the steep rise in the market over the past couple of months. At the end of the month, we retained 5% of the fund in cash. We will continue to leverage our research intensive stock selection process and insights acquired from corporate visits for our future allocation moves.

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 (%)

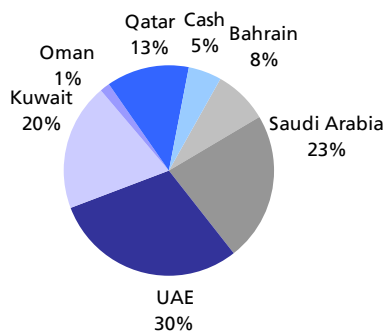
	Fund	MSCI GCC Index
May 2008	1.3	(4.0)
Year to Date 2008	15.4	(8.7)
Last 3 months	5.1	(5.9)
Last 6 months	26.2	4.2
Last 12 months	44.2	17.2
2007	43.9	44.1
2006	(13.9)	(45.9)
2005	56.8	77.5
2004 (Apr - Dec)	27.0	41.1
Since Inception (Mar'04-May '08)	184.6	78.1

* Prior to 2005, a domestic GCC index was used

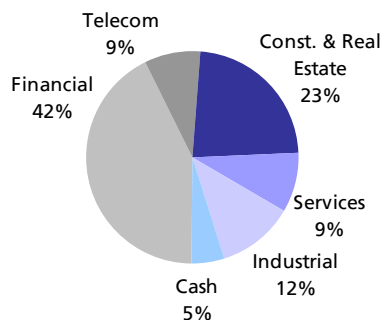
Fund Information

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	Gulf Clearing Company

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	12.4
Price to Book Multiple Latest (x)	3.5
Dividend Yield 2007 (%)	3.2
Number of Holdings	47
Annualized Return (%)	28.5
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-8.2 (May 06)
% of Positive Months	74
Maximum Drawdown- Peak to Trough (%)	21.8
Length of Drawdown (months)	10
Time to Recovery (months)	12

Top Holdings

Name	Country	(%)
Emaar Properties	UAE	7.7
Arabtec	UAE	5.1
Agility	Kuwait	4.9

Risk Statistics

Annualised Standard Deviation (%)	15.4
Sharpe Ratio	1.53
Information Ratio	0.80
Beta	0.46
Alpha (%)	19.0

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