

# Khaleej Equity Fund

Fact Sheet - December 31, 2008

NAV US\$163.03 ↓ 3.4%

## Manager's Commentary

The regional markets continued their downward trend as the MSCI GCC index fell by 7.6% in December. Dubai declined by 16.7% for the month as real estate companies continued to tumble. Other markets such as Abu Dhabi, Oman and Kuwait dropped in the range of 12-14%, while Saudi Arabia found some support and closed flat. The only market that bucked this negative trend was Qatar that rebounded strongly (+13.4%) as broad based buying was witnessed.

The GCC bourses witnessed a severe correction during the year in line with developed and emerging markets (MSCI GCC index declined by around 60%). Although the GCC markets held relatively firm during the first half of the year, foreign selling, abrupt liquidity squeeze, plunge in oil prices and real estate worries triggered a massive correction. Consequently, 2008 was the worst year in the history of the regional markets.

The NAV of Khaleej Equity Fund declined by 3.4% for the month on the back of declines in majority of the markets. For 2008, although the fund lost around one-third of its value, it significantly outperformed the benchmark which declined by nearly 60%. In addition, Khaleej Equity Fund was amongst the best performing funds in the region which generally declined in the range of 40-60% during the year.

Given such a massive correction in the markets, we believe that most of the negatives have been priced in. However, greater visibility regarding the depth and duration of the global recession, stability in oil prices and clarity on the real estate front would provide the impetus for a sustained market recovery. Due to fundamental changes in the outlook of key sectors, superior stock selection has become even more crucial to maximize returns. In such an environment, we would continue to invest in fundamentally sound companies, valuations of which have overcorrected as a result of declines in the overall markets.

## Investment Objective

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

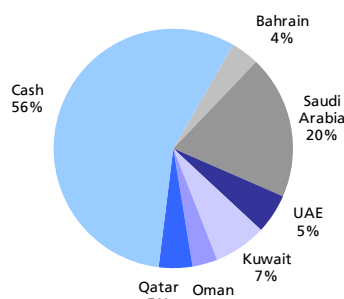
## Fund Returns (%)

	Fund	MSCI GCC Index*
December 2008	-3.4	-7.6
2008 (Jan-Dec)	-33.9	-56.8
Last 3 months	-26.4	-39.8
Last 6 months	-42.1	-52.3
Last 12 months	-33.9	-56.8
2007	43.9	44.1
2006	-13.9	-45.9
2005	56.8	77.5
2004 (Apr - Dec)	27.0	41.1
Since Inception (Apr 04- Dec 08)	63.0	-15.7

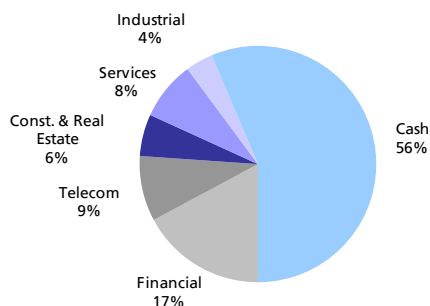
\* Prior to July 2005, a domestic GCC index is used to compute benchmark returns

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

## Country Allocation



## Sector Allocation



## Fund Statistics

Price Earnings Multiple 2008 (x)	8.0
Price to Book Multiple Latest (x)	1.7
Dividend Yield 2007 (%)	5.7
Number of Holdings	29
Annualized Return (%)	10.8
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	65
Maximum Drawdown- Peak to Trough (%)	42.7
Length of Drawdown (months)	7
Time to Recovery (months)	na

## Top Holdings

Name	Country	(%)
Qatar Telecom	Qatar	4.5
Al Hokair	Saudi	3.2
Saudi Telecom	Saudi	2.7

## Risk Statistics

Annualised Standard Deviation (%)	19.8
Sharpe Ratio	0.30
Information Ratio	0.85
Beta	0.56
Alpha (%)	10.6

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