

Khaleej Equity Fund

Fact Sheet - December 31, 2009

NAV US\$ 190.59 ↓ 5.7%

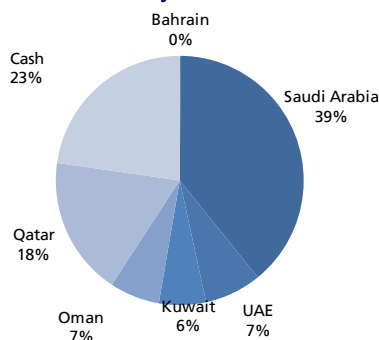
Manager's Commentary

The Gulf bourses exhibited extreme volatility during the month of December, as events in Dubai dictated the movement of the markets. At the beginning of the month, investors reacted in panic to Dubai's debt crisis resulting in a market freefall. However, the subsequent announcement by the Abu Dhabi government, that it granted a \$10bn loan to Dubai, brought about some stability. Nevertheless, on the whole, the regional markets posted negative returns for the month as Dubai declined by 7%, while Saudi Arabia and Qatar lost 3-4%. Bahrain and Kuwait managed to post positive returns while Oman remained flat. During 2009, the GCC markets experienced a broad based rally during the second quarter but lost steam later as two regional events – Saad/ Al Gosaibi and Dubai Debt Crisis – unfolded. As a result, the GCC markets gained about 18% with Saudi (+28%), Oman (+17%), Abu Dhabi (+14%) and Dubai (+10%) being the best performers while Bahrain (-19%) and Kuwait (-10%) were the worst. Qatar was slightly up (+1%) for 2009.

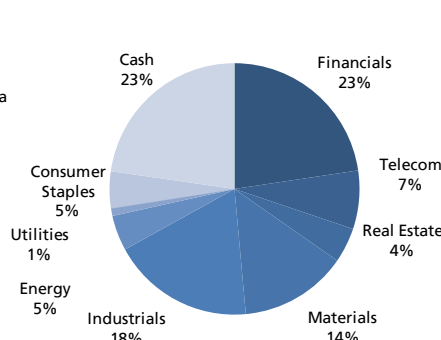
The NAV of Khaleej Equity Fund declined by 5.7% in December compared to the MSCI GCC index which lost 2.1%. During the month, we enforced our internal stop loss limits in the case of UAE holdings and increased our cash allocation. However, the intervention by Abu Dhabi resulted in a sharp bounce back of the markets and caused our fund to underperform the index during the month. For the year 2009, the fund posted a return of 16.9% as compared to a rise of 17.8% in the benchmark. Although we have been conservative for most of the year and maintained a relatively high cash allocation, our stock selection has helped us in performing almost at par with the benchmark.

With the start of the New Year and upcoming fourth quarter results, we expect investors to be extremely cautious and carefully assess the quality of the results reported. Better-than-expected earnings numbers would act as a key catalyst for regional markets.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	14.0
Price to Book Multiple Latest (x)	2.5
Dividend Yield 2008 (%)	6.0
Number of Holdings	36
Annualized Return (%)	11.9
Largest Monthly Gain (%)	14.8 (Mar 05)
Largest Monthly Loss (%)	-20.3 (Oct 08)
% of Positive Months	62
Maximum Drawdown- Peak to Trough (%)	47.4
Length of Drawdown (months)	9
Recovery from recent trough (%)	27.4

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
Dec 2009	-5.7	-2.1
YTD 2009 (Jan – Dec '09)	16.9	17.8
Last 3 months	-9.9	-7.6
Last 6 months	1.7	4.6
Last 1 year	16.9	17.8
Last 3 years	11.2	-25.7
Last 5 years	50.0	-27.2
2008	-33.9	-57.0
2007	43.9	46.6
2006	-13.9	-45.8
2005	56.8	80.8
2004 (Mar – Dec)	27.0	43.3
Since Inception (Mar 04– Dec09)	90.6	4.3

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	(%)
Industries Qatar	Qatar	5.2
SABIC	Saudi	4.5
National Industrialization	Saudi	3.9

Risk Statistics

Annualised Standard Deviation (%)	19.7
Sharpe Ratio	0.3
Information Ratio	0.7
Beta	0.6
Alpha (%)	9.2

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