

Khaleej Equity Fund

Fact Sheet - May 31, 2010

NAV US\$ 191.95 ↓ 11.1%

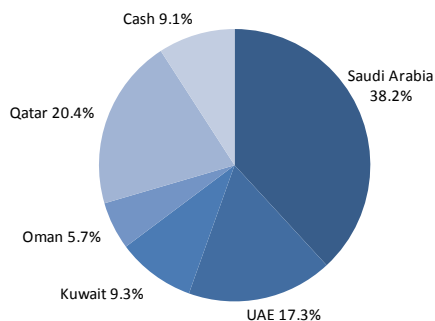
Manager's Commentary

A combination of factors affected the performance of global markets during May. Increased fears over Europe's sovereign debt along with anticipation of a slowdown in the global economy were at the top of investors concerns. Tightening measures by China along with the Korean debacle added to investors' woes. As a result major world markets lost 10-15% of their market values with MSCI World Index declining by 10% for the month. The GCC stock markets were no exception to the global trend as the MSCI GCC Index declined by 11% during the month, losing out almost all of the gains made in the first four months of the year. All GCC markets declined, with Saudi Arabia being the worst performing market (-10.9%). Qatar and Dubai lost around 10%, while the rest of the markets lost between 6-9%.

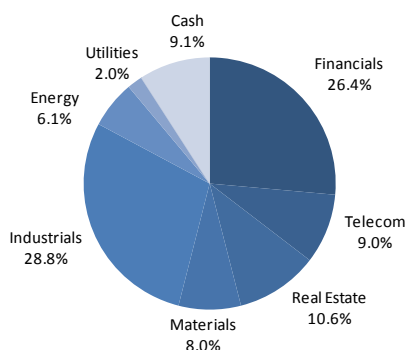
On the backdrop of sharp declines in markets across the region, the fund was down 11.1% during the month in line with the benchmark. Although we had increased our cash allocation in the earlier part of the month, the impact of the sharp drop in the markets during the latter part was so pronounced that we could not benefit from our relatively higher cash allocation. Our Qatari and UAE stocks along with our holdings in the petrochemical sector fell sharply as these equities faced brunt of the selling pressure.

We believe that these sharp declines in the markets have been exaggerated and the medium to long term story of this region remains intact. Valuations have contracted to highly attractive levels and should limit the downside potential of these markets. With the onset of summers, the markets might remain rangebound for a couple of months, but the current price levels offer a good entry point for investors with a medium to long term investment horizon.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	14.4
Price to Book Multiple Latest (x)	2.0
Dividend Yield 2009 (%)	3.1
Number of Holdings	39
Annualized Return (%)	11.1
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 (%)	28.1

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 2010	-11.1	-11.1
YTD 2010 (Jan - May)	0.5	2.5
2009	16.9	22.9
2008	-33.9	-55.8
2007	43.9	51.7
2006	-13.9	-43.6
2005	56.8	80.8
2004 (Mar - Dec)	27.0	43.3
Since Inception (Mar 04-May10)	91.5	23.4
Last 3 months	-2.6	-2.5
Last 6 months	-5.3	0.4
Last 1 year	-0.2	5.0
Last 3 years	-2.9	-27.0
Last 5 years	11.1	-36.4

*This refers to MSCI GCC USD Total Return Gross

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Weekly
Subscription Deadline	Two Business days before Dealing Day
Redemption Deadline	Two Business days before Dealing Day
Minimum Subscription	US\$100,000
Reuters Code	LP65038262
Bloomberg Code	KHALEQY BI
Zawya Code	SICOKEF.MF
Fund ISIN Code	BH000A1CZ8W7
Custodian/ Administrator	HSBC Middle East, Bahrain

Top Holdings

Name	Country	(%)
Saudi Basic Industries	Saudi	5.2
Industries Qatar	Qatar	4.5
Commercial Bank of Qatar	Qatar	3.9

Risk Statistics

Annualised Standard Deviation (%)	19.9
Sharpe Ratio	0.3
Information Ratio	0.5
Beta	0.6
Alpha (%)	7.0

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