

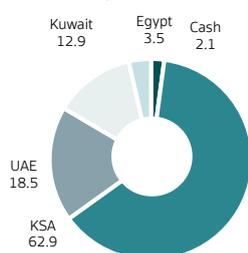
Managers Commentary

In the month of April, the S&P GCC index was up 5.5%, with gains led by Saudi Arabia (+6.4%) and the UAE (+4.4%). The rest of the markets, apart from Oman, were up 3-4%, while Oman was flat for the month. Foreign inflows continue to propel the Saudi Market forward; the foreign ownership in the Tadawul jumped to approximately 6% and the market attracted more than USD 5 billion of foreign inflows YTD. Unsurprisingly, large-cap banks have been the biggest beneficiary of this inflow. ENBD led the UAE market, as its shares rallied when the bank announced that it agreed to buy Danzbank at USD 400m lower than the initially negotiated price.

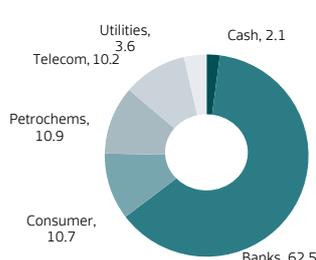
During the month, your portfolio was up 5.7%, which was marginally above the index, which increased by 5.5%. The fund benefited from gains in ENBD (+19%) and its investments in Saudi financials. Amongst Saudi financials, Riyadh Bank (24%) and NCB (13%) were the largest contributors. Riyadh bank reported 45% YoY growth in earnings (+22% QoQ) in the first quarter. Although the earnings did get a boost from investment gains, its recurrent earnings also posted a healthy increase, due to a better funding mix, healthy loan growth, and stable margins.

The majority of the companies in Saudi Arabia have reported their first quarter numbers, and the overall earnings are down by 5% YoY. Despite anaemic loan growth, the financial sector posted 14% YoY growth in earnings for the first quarter thanks to margin expansion. During the quarter, Saudi banks reported on average 10bps increase in net interest margins. This was mainly due to loans being refinanced at higher interest rates and the increase in the proportion of mortgage loans. As expected, the petrochemical sector reported poor results; earnings declined 40% YoY due to weak end product pricing. Despite the rally in oil price, we expect an increase in global supply to continue to depress end product prices. Furthermore, the anticipated slowdown in global growth should also be a challenge for the sector. As a consequence, we don't expect the earnings of the industry to recover in the near future and hence have maintained limited exposure to it in your fund.

Country Allocation %



Sector Allocation %



Key Statistics	Fund	Index
Price to Earnings Multiple TTM (x)	13.6	17.0
Price to Book Multiple Latest (x)	1.8	1.8
Return on Equity TTM (%)	13.7	10.8
Dividend Yield 2018 (%)	3.4	3.7
Number of Holdings	29	300
Annualized Return (%) - Last 5 years	5.6	1.8
Annualized Standard Deviation (%) - Last 5 years	15.2	16.1
Largest Monthly Gain (%) - Last 5 years	12.0 (April 15)	11.2 (April 15)
Largest Monthly Loss (%) - Last 5 years	-12.9% (Aug 15)	-13.0(Aug 15)
% Positive Months (%)	59.1	56.9
Success Ratio (%) - Last 5 years	50	
Latest Drawdown-Peak to Trough (%)	-29.9	-40.2
Duration of Drawdown (months)	25mths (Aug 14 to Sep 16)	25mths (Aug 14 to Sep 16)
Recovery from Latest Drawdown (%)	68.8	64.9

Investment Objective

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

Returns (%)	Fund	Index
April 19*	5.7	5.5
YTD (April 2019)	17.4	16.5
2018	12.7	12.8
2017	7.6	3.3
2016	5.8	8.5
2015	-6.2	-14.6
Last 3 months	9.2	9.0
Last 6 months	16.7	15.0
Last 1 year	17.0	17.3
Last 3 years	49.5	43.5
Last 5 years	31.4	9.4
Since Inception (April 04— Feb 19)	311.4	192.5

*S&P GCC Total Return Index

Fund Information

Launch Date	Mar-04
Management Fee	1.50%
Performance Fee	10% over 10%
Subscription & Redemption	Weekly
Dealing Day	Thursday
Subscription & Redemption Deadline	Two business days before dealing day
Minimum Subscription	100,000
Bloomberg Code	KHALEY BI Equity
Fund ISIN Code	BH000A1CZ8W7
Custodian/Administrator	HSBC / Apex Fund Services

Top Holdings

Name	Sector	(%)
Al Rajhi Bank	Banks	10.8
NCB	Banks	8.1
ENBD	Banks	7.4

Top Risk Statistics (last 5 years)

Standard Deviation (%)	15.2
Sharpe Ratio	0.17
Tracking Error (%)	4.5
Information Ratio	0.8
Alpha (%)	3.7
Beta	0.9

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