

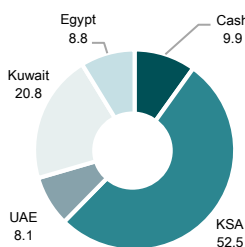
## Managers Commentary

In August, the S&P GCC index fell 2.3%, driven by Saudi Arabia (-4.2%) and Dubai (-2.3%). Low seasonal volumes coupled with concerns over emerging market currencies mainly contributed to the fall. Abu Dhabi and Qatar, on the other hand, managed to buck the trend and were up by 2.6% and 0.6% respectively. In both countries, their respective large caps drove the markets. While gains in Abu Dhabi were largely accounted for by First Abu Dhabi Bank, which increased by 9%, QNB supported the market in Qatar.

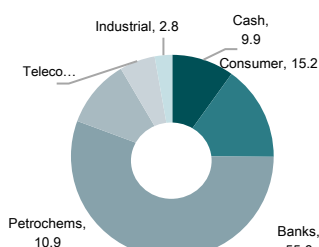
During the month, the fund was down 2.4% while the index was down by 2.3%. Our investments in Saudi Arabia, Kuwait, and UAE performed relatively well compared to their respective markets. However, this outperformance was negated by the steep rebound in QNB in the 4th week of the month due to foreign inflows. Surprisingly, the Qatari market continues to benefit from foreign inflows despite the rest of the emerging markets experiencing outflows. The majority of the cash has flowed into Qatar National bank, and, as a result, QNB is currently priced close to its all-time high and is trading at a significant premium to emerging markets banks. While the average emerging market banks trade at a PB of 1.5x, QNB currently trades at PB of 2.7x, despite having exposure to Turkey and a deposit base which has significant exposure to international deposits. We have opted not to invest in Qatar despite the momentum. In addition to expensive valuations, we believe its economy could face a serious challenge if global liquidity tightens as the economy is highly leveraged.

We expect the regional markets to continue to remain volatile due to unease over emerging market currencies and the potential contagion risk to the region. While we are concerned by these developments, at the current juncture, we are relatively comfortable with our core holdings given their strong fundamentals. Hence although our cash allocation has increased because we booked profits in couple of our investments, going forward we intend to largely remain invested by further increasing our exposure to selected stocks in our portfolio.

### Asset Allocation %



### Sector Allocation %



Key Statistics	Fund	Index
Price to Earnings Multiple TTM (x)	12.7	14.97
Price to Book Multiple Latest (x)	1.7	1.6
Return on Equity TTM (%)	14.0	10.8
Dividend Yield—2015 (%)	3.4	4.1
Number of Holdings	30	300
Annualized Return (%) - Last 5 years	6.1	3.9
Annualized Standard Deviation (%) - Last 5 years	13.5	14.7
Largest Monthly Gain (%) - Last 5 years	12.0	11.2
Largest Monthly Loss (%) - Last 5 years	-12.9	-13.0
% Positive Months (%)	59.0	56.1
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 (%)	46.7	42.7

## 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
August 2018'	-2.4	-2.3
YTD (August 2018)	15.0	13.8
2017	7.6	3.3
2016	5.8	8.5
2015	-6.2	-14.6
2014	4.7	0.6
Last 3 months	1.8	1.6
Last 6 months	9.9	10.5
Last 1 year	15.9	12.1
Last 3 years	23.4	17.1
Last 5 years	34.5	20.9
Since Inception (Mar 04— Aug 18)	257.5	153.1

\*S&P GCC Total Return Index

## Fund Information

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

## Top Holdings

Name	Sector	(%)
Al Rajhi Bank	Banks	7.7
NBK	Banks	7.2
NCB	Banks	6.5

## Top Risk Statistics (last 5 years)

Standard Deviation (%)	13.5
Sharpe Ratio	0.2
Tracking Error (%)	4.5
Information Ratio	0.5
Alpha (%)	2.3
Beta	0.9

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