

Manager's Commentary

In February markets experienced profit taking with the S&P GCC index falling by 2.3%. Unsurprisingly Qatari and Saudi Arabian markets which rallied in January, fell 3.6% and 2.8% respectively. While the declines in the Qatari market were driven by drop in the share price of large caps, financials largely contributed to the declines in Saudi Arabia. A number of Banks in Saudi Arabia reported poor 4th quarter results due to higher loan loss provisioning; this further pressured the financial sector.

During the month your portfolio fell by 1.5% while the corresponding index fell by 2.3%. The fund benefited from not having exposure to the Qatari market. In addition, gains in the share price of Aramex positively contributed to the fund's performance. Aramex has been a fruitful investment for the fund for the past five years. However, in the latter half of 2017, the CEO of the company resigned and was replaced by the then CFO. The abrupt management changes spooked investors, resulting in a 15% fall in the share price during 4q 2017. In February the share price rallied when Aramex reported very impressive results for the 4q 2017 with net income increasing 27% YOY on top of the 30% YOY growth in recurrent earnings reported in 2016. The company continued to benefit from the seasonal surge in cross-border e-commerce in the 4th quarter. Despite the management changes, we intend to maintain our exposure as it is a solid franchise which is well positioned to benefit from growth in e-commerce business. In addition, the company is relatively attractively valued at a PE of 11.5x (2019E).

In February, we further increased our exposure to Saudi financials and gradually realized profits in selected petrochemicals. Furthermore, we also increased the concentration of large caps in the Saudi market at the expense of small caps.

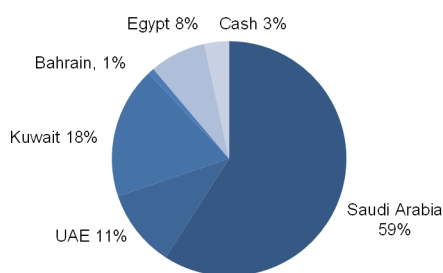
Investment Objective

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

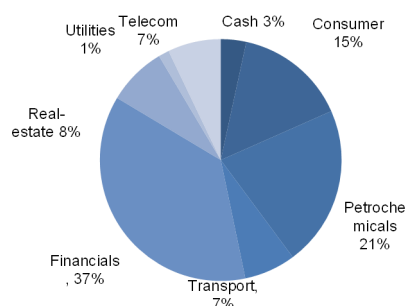
Returns (%)	Fund	Index*
Feb 2018	-1.4	-2.3
YTD (Feb 2018)	4.6	3.0
2017	7.6	3.3
2016	5.8	8.5
2015	-6.2	-14.6
2014	4.7	0.6
Last 6 Months	5.5	1.5
Last 1 Year	9.4	5.4
Last 3 Years	3.0	-8.4
Last 5 Years	40.9	23.8
Last 10 Years	20.2	-15.8
Since Inception (March 04 to Dec 2017)	225.4	129.1

* S&P GCC Total Return Index

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price to Earnings Multiple TTM (x)	14.1	14.8
Price to Book Multiple Latest (x)	1.7	1.5
Return on Equity TTM (%)	12.7	10.2
Dividend Yield—2016 (%)	3.1	3.8
Number of Holdings	30	300
Annualized Return (%) - Last 5 years	7.1	4.4
Annualized Standard Deviation (%) - Last 5 years	14.2	15.3
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	56
Success Ratio (%)	49	NA
Latest Drawdown-Peak to Trough (%)	-29.2	-40.2
Duration of Drawdown (months)	17mths (Aug 14 to Feb 16)	17mths (Aug 14 to Feb 16)
Recovery from Latest Drawdown (%)	31.4 (Feb 16 to Jan 18)	29.2 (Feb 16 to Jan 18)

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Fund Information

Launch Date	March 2004
Management Fee	1.5%
Performance Fee	10% over 10%
Subscription & Redemption	Weekly
Dealing Day	Thursday
Subscription & Redemption Deadline	Two Business days before dealing day
Minimum Subscription	USD 100,000
Bloomberg Code	KHALEQY BI Equity
Fund ISIN Code	BH000A1CZ8W7
Custodian / Administrator	HSBC Bahrain

Top Holdings

Name	Country	(%)
Al Rajhi Bank	KSA	8.1
NCB	KSA	6.1
SAMBA	KSA	5.7

Risk Statistics (last 5 years)

Standard Deviation (%)	14.2
Sharpe Ratio	0.3
Tracking Error (%)	4.6
Information Ratio	0.6
Alpha (%)	3.0
Beta	0.9