

Manager's Commentary

In March, regional markets rallied on the back of gains reported in Saudi Arabia (+6.0%). The performance of the Saudi market was influenced by net foreign buying leading up to the FTSE upgrade. The Qatari market was also up 1.6%, due to a number of large companies taking steps to lift foreign ownership limits. Investors viewed this positively, as these companies could benefit from inflows of passive funds, potentially leading to an increase in their weight in the emerging market indexes. Dubai, on the other hand, continued to disappoint and was down by 4.0%.

Despite negative contribution from our investments in Dubai the fund marginally out performed the benchmark in part because of its relatively significant exposure to large caps in Saudi Arabia. In addition, Petrochem and SIIG (key holdings in our portfolio) rallied ca. 25% and 15% respectively subsequent to reporting impressive earnings. Petrochem's earnings were 50% above the highest analyst estimate for the quarter. This increase in earnings was largely due to better utilization and improved product prices. As the major shareholder of Petrochem, SIIG benefited from growth in earnings in Petrochem. In addition, its other "non Petrochem" related products such as benzene and motor gasoline positively contributed to SIIG's earnings growth.

Currently, foreign ownership in Saudi Arabia is at less than 3%, and over the next three years this is likely to increase to 10-15%. Hence, we could arguably expect Saudi Arabia to continue to perform well due to the inflow of foreign funds. However, it was interesting to note that on the week of the FTSE announcement, Government-Related Entities (GREs) and High Net Worth Individuals (HNIs) were net sellers, the first time in 80 weeks in the case of GREs and 35 weeks in the case of HNIs. Consequently, although we continue to maintain our exposure to Saudi Arabia, we are mindful of the potential increase in selling by GREs and HNIs which may accompany foreign inflows and thereby limit the upside potential of the market.

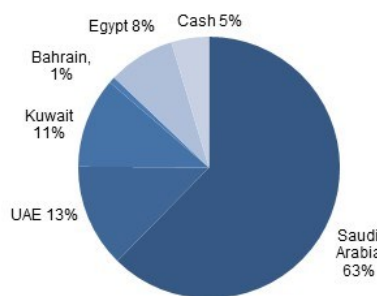
Investment Objective

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

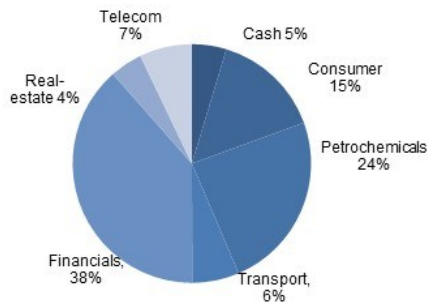
Returns (%)	Fund	Index*
March 2018	5.0	4.8
YTD (March 2018)	9.8	7.9
2017	7.6	3.3
2016	5.8	8.5
2015	-6.2	-14.6
2014	4.7	0.6
Last 6 Months	9.3	7.0
Last 1 Year	14.5	10.4
Last 3 Years	12.9	1.9
Last 5 Years	44.5	27.2
Last 10 Years	30.5	-4.6
Since Inception (March 04 to March 2018)	241.5	140.2

* S&P GCC Total Return Index

Country Allocation



Sector Allocation



Key Statistics

	Fund	Index
Price to Earnings Multiple TTM (x)	13.5	15.4
Price to Book Multiple Latest (x)	1.8	1.5
Return on Equity TTM (%)	13.3	10.2
Dividend Yield—2016 (%)	3.1	3.8
Number of Holdings	33	300
Annualized Return (%) - Last 5 years	7.6	4.9
Annualized Standard Deviation (%) - Last 5 years	14.9	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	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 (%)	37.7 (Feb 16 to Jan 18)	29.2 (Feb 16 to Jan 18)

Fund Information

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

Top Holdings

Name	Country	(%)
Al Rajhi Bank	KSA	9.7
NCB	KSA	6.5
SAMBA	KSA	5.9

Risk Statistics (last 5 years)

Standard Deviation (%)	14.9
Sharpe Ratio	0.3
Tracking Error (%)	4.6
Information Ratio	0.6
Alpha (%)	3.0
Beta	0.9

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Investment Bank

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