

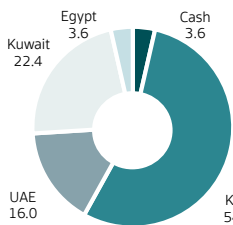
## Managers Commentary

Regional markets fell 5.4% in May, reversing all gains reported in April. Saudi Arabia (-8%) accounted for the majority of the declines. The correction in the Saudi market was initially triggered when the two main pension funds in the Kingdom (GOSSI & Public Pension Agency) announced that they had transferred a significant portion of their investments in Saudi listed securities to their respective investment arms for trading purposes. Investors were concerned by the potential increase in supply if these entities opt to exit their investments aggressively. In addition, the declines were further exacerbated by the weak global market sentiment and seasonally low volumes.

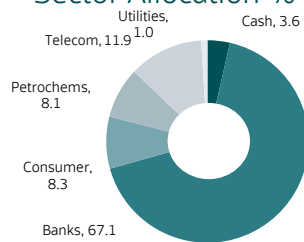
During the month, your fund was down by 5.9% whereas the index declined by 5.4%. Although the fund benefited from its investments in Kuwait, its returns were dragged down by profit-taking in Saudi Arabia. Financials accounted for the majority of the negative performance in Saudi Arabia. In contrast, the index benefited from gains in the Qatari market. The Qatari market was down as much as 8%, but steeply rebounded when it was officially confirmed that the Qatari Prime Minister would attend the Gulf Corporation Council summit in Mecca.

Although investors have been rather sanguine on the prospects for the Saudi market given the anticipated foreign inflow, potential selling by government-related entities overshadowed investor optimism. However, to date, it appears that these government funds have largely remained on the sidelines. The majority of the demand created by foreign passive funds moving into the market has been met by active foreign funds moving out. As a consequence, active foreign ownership as of the end of May was 1.8% of the total market capitalization, just 20 basis points above the levels reported at the beginning of the year. We are not surprised by the lack of interest that foreign active managers have shown regarding investing in the Kingdom. The Saudi market, which is trading at a PE of 20x TTM, is expensively valued compared to overall emerging markets which trade at PE of ca. 13x. Given the acute cyclicality of the Kingdom's economy, and the inherent geopolitical risks in the region, we would argue that ideally, the regional markets should trade at a discount relative to emerging market peers. Although the overall markets are trading at expensive valuation multiples, we believe there are a number of bottom-up investment opportunities in the Kingdom. Consequently, we are gradually booking profits in stocks we deem are trading at expensive multiples, and increasing our investment in these bottom-up opportunities.

### Country Allocation %



### Sector Allocation %



Key Statistics	Fund	Index
Price to Earnings Multiple TTM (x)	12.2	16.2
Price to Book Multiple Latest (x)	1.8	1.7
Return on Equity TTM (%)	15.5	13.8
Dividend Yield 2018 (%)	4.0	4.3
Number of Holdings	29	300
Annualized Return (%) - Last 5 years	3.8	0.0
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 (%)	58.9	55.9

## 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
May 19*	-5.9	-5.4
YTD (April 2019)	10.5	10.2
2018	12.7	12.8
2017	7.6	3.3
2016	5.8	8.5
2015	-6.2	-14.6
Last 3 months	3.4	3.8
Last 6 months	12.8	11.0
Last 1 year	10.2	11.0
Last 3 years	43.1	42.6
Last 5 years	20.5	0.1
Since Inception (May 04— May 19)	287.1	176.6

\*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	KHALEQY BI Equity
Fund ISIN Code	BH000A1CZ8W7
Custodian/Administrator	HSBC / Apex Fund Services

## Top Holdings

Name	Sector	(%)
Al Rajhi Bank	Banks	10.5
NCB	Banks	7.6
ENBD	Banks	7.2

## Top Risk Statistics (last 5 years)

Standard Deviation (%)	15.2
Sharpe Ratio	0.05
Tracking Error (%)	4.5
Information Ratio	0.8
Alpha (%)	3.4
Beta	0.9

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