

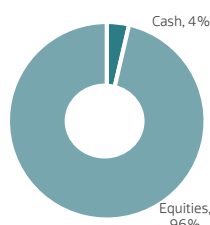
## Managers Commentary

The benchmark TASI dropped 8.5% during the month reversing all gains reported in April. Large caps particularly in the financial sector experienced the biggest 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.

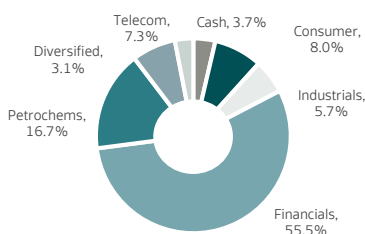
During the month, your fund was down by 7.9% whereas the index declined by 8.2%. Funds returns were dragged down by profit-taking in Saudi Arabia. Financials accounted for the majority of the negative performance in Saudi Arabia, with holdings such as NCB, Riyad Bank and SAMBA declining by around 10%.

Over the past year, although investors have been rather sanguine on the prospects for the Saudi market given the anticipated foreign inflow, potential selling by government and government-related entities have overshadowed investor optimism. 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. A market the size of Saudi Arabia has the potential to attract up to USD 50 billion of active flows, but to date it has attracted less than USD 10 billion. 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 cyclicity 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.

### Asset 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	4.2
Number of Holdings	25	107
Annualized Return (%) - Last 5 years	5.5	0.4
Annualized Standard Deviation (%) - Last 5 years	18.1	21.2
Largest Monthly Gain (%) - Last 5 years	12.1 (Apr 15)	13.8 (Apr 15)
Largest Monthly Loss (%) - Last 5 years	-14.9 (Aug 15)	-17.2 (Aug 15)
% Positive Months (%) - Last 5 years	53	53
Success Ratio (%) - Last 5 years	59	NA
Latest Drawdown-Peak to Trough (%)	-35.4	-46.2
Duration of Drawdown (months)	25mths (Aug 14 to Sep 16)	25mths (Aug 14 to Sep 16)
Recovery from Latest Drawdown (%)	74.7	66.2

## Investment Objective

The primary objective of this Fund is to seek long-term capital appreciation. The Fund will aim to achieve this investment objective by primarily investing in equity securities listed in Saudi Arabia.

Returns (%)	Fund	Index
May-19	-7.9	-8.2
2019 (Jan - May)	12.0	11.0
2018	22.6	12.4
2017	7.2	3.8
2016	1.6	9.0
2015	-5.5	-14.3
2014	8.9	-2.1
Last 3 months	4.0	1.8
Last 6 months	13.7	12.7
Last 1 year	12.7	7.4
Last 3 years	56.9	47.1
Last 5 years	30.5	1.9
Since Inception (Feb 11—May 19)	123.4	73.4

\*S&P Saudi Total Return Index

## Fund Information

Launch Date	February 2011
Management Fee	1.50%
Subscription & Redemption	Weekly
Dealing Day	Wednesday
Subscription & Redemption Deadline	Two business days before dealing day
Minimum Subscription	USD 100,000
Bloomberg Code	SICOKEF BI Equity
Zawya Code	SICOKEQ.MF
Fund ISIN Code	BH00016X01BO
Custodian/Administrator	HSBC Bahrain

## Top Holdings

Name	Sector	(%)
Al Rajhi Bank	Banks	17.0
SABIC	Banks	8.9
National Commercial Bank	Petrochem	7.5

## Top Risk Statistics (last 5 years)

Standard Deviation (%)	18.1
Sharpe Ratio	0.1
Tracking Error (%)	5.7
Information Ratio	0.9
Alpha (%)	4.6
Beta	0.8

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