

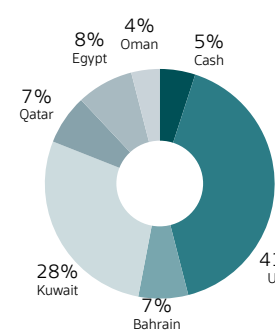
Managers Commentary

Most regional markets posted a positive return in June led by Kuwait and Saudi Arabia. MSCI's decision to upgrade Saudi Arabia came as no surprise but its decision to place Kuwait on the watchlist for potential inclusion into Emerging Market was unexpected and welcomed by investors. As a result, the Kuwait Premier Index, a measure of the blue chip companies rose 4.6%, while Saudi Arabia experienced a relatively muted performance and increased by 1.8%. The misery of the Dubai market (-4.8%) continued as corporate governance issues plagued the market with Air Arabia and DSI being at the forefront. The smaller markets of Qatar and Bahrain posted marginal positive gains.

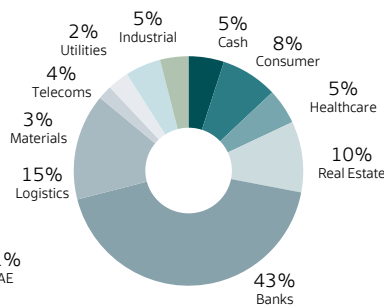
The value of the fund appreciated by 1.4%, ahead of the benchmark that rose 0.4%. The fund benefited primarily from the rise in our large cap holdings in Kuwait such as Zain (+15%) and KFH (+5%). In addition, selected holdings elsewhere contributed to the positive performance. We were surprised by the resilience of the Qatari market post the passive FTSE flows given that valuations are rich and lack of catalysts.

We welcome the positive MSCI development in Kuwait which in our opinion can potentially drive the market significantly upwards, signs of which have started during the first few days of July. Despite reasonably strong fundamentals, Kuwait has always been neglected, characterized by low institutional shareholding especially from fund managers. This development along with the upcoming FTSE related flows in Sep 2018 and Mar 2019 would provide the much needed catalyst for the market, similar to what we saw when MSCI included Saudi Arabia in the watchlist. Although we have around 30% of the fund in Kuwait, we would be looking to increase our exposure over the coming weeks primarily in large caps which should benefit the most.

Asset Allocation



Sector Allocation



Key Statistics	Fund	Index
Price to Earnings Multiple TTM (x)	10.8	12.5
Price to Book Multiple Latest (x)	1.3	1.3
Return on Equity TTM (%)	11.2	10.8
Dividend Yield—2016 (%)	4.2	5.1
Number of Holdings	24	154
Annualized Return (%) - Last 5 years	4.5	3.3
Annualized Standard Deviation (%) - Last 5 years	12.6	15.3
Largest Monthly Gain (%) - Last 5 years	9.0 (Apr 15)	9.3 (Jul 14)
Largest Monthly Loss (%) - Last 5 years	-9.1 (Jun 14)	-13.6 (Jun 14)
% Positive Months (%)	57	51
Success Ratio (%) - Last 5 years	57	NA
Latest Drawdown-Peak to Trough (%)	-20.3	-33.0
Duration of Drawdown (months)	17mths (Aug 14 to Jan 15)	21mths (May 14 to Jan 15)
Recovery from Latest Drawdown (%)	17.5	24.8

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 on the stock markets of the GCC countries excluding Saudi Arabia.

Returns (%)	Fund	Index
Jun-18	1.4	0.4
YTD (Jun 2018)	4.2	3.4
2017	2.7	-0.1
2016	0.0	9.2
2015	1.8	-14.3
2014	4.2	6.8
Last 3 months	-0.1	0.0
Last 6 months	4.2	3.4
Last 1 year	3.5	3.1
Last 3 years	-3.1	-4.1
Last 5 years	24.6	17.5
Since Inception (Feb 11— Jun 18)	62.7	-7.6

* S&P GCC ex Saudi Total Return Index

Fund Information

Launch Date	March 2006
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	SICGULF BI
Zawya Code	SICOGEF.MF
Fund ISIN Code	BH000A1CZ855
Custodian/Administrator	HSBC Bahrain

Top Holdings

Name	Sector	(%)
National Bank of Kuwait	Kuwait	9.1
DP World	UAE	7.8
Aramex	UAE	7.2

Top Risk Statistics (last 5 years)

Standard Deviation (%)	12.6
Sharpe Ratio	0.1
Tracking Error (%)	6.3
Information Ratio	0.2
Alpha (%)	1.3
Beta	0.8

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