

SICO Arab Financial Fund

Fact Sheet - August 31, 2007

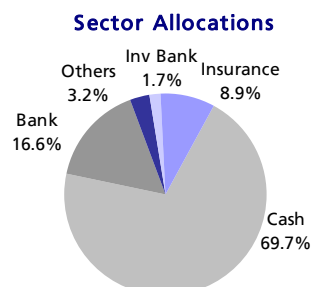
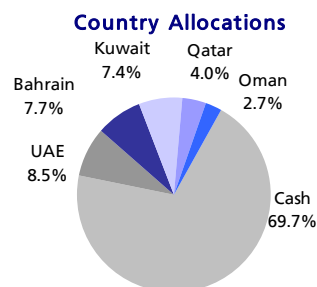
NAV US\$10.03 ↑ 0.3%

Manager's Commentary

The GCC markets closed on a mixed note in August. Qatar (-1.8%), Bahrain (-1.6%), and the UAE (-0.8%) markets witnessed sell-offs, and ended in negative territory. In the UAE, the downswing was partly driven by the fallout of the US sub-prime crisis and withdrawal of foreign investors. On the contrary, the Saudi market did well and captured the highest gain (+9.2%) for the second consecutive month. While the Saudi bourse thrived on the two Saudi giants, SABIC and STC, investor confidence was also assured by opening up of the financial sector to the GCC investors. Oman (+3.5%) and Kuwait (+1.1%) also closed with positive returns.

The NAV of SICO Arab Financial Fund was almost flat with a marginal increase of +0.3%. This lukewarm result does not come as a big surprise, and can easily be rationalized by two key factors. Firstly, the regional markets underperformed and secondly, and more importantly, the fund is still in its infancy. We have only invested 30% of the cash as of end of August. Nonetheless, we reaped benefits from having selected value stocks in the financial sector in Kuwait, Bahrain and the UAE. One of our top holdings, Ithmaar Bank, recorded an impressive return of 8%. Ithmaar posted strong earnings growth of 50% for 1HY07 compared to the same period last year. Another value pick was Bahrain Islamic Bank (BISB) that yielded a positive return of 8%. BISB is expanding regionally and is undergoing a rights issue to raise its capital by BD 85m in order to finance its growth. Additionally, National Bank of Kuwait (NBK) contributed positively with a return of 6%. NBK has embarked on an acquisition spree across Turkey, Egypt, and Syria boosting investor sentiment. The bank also plans to increase its capital base to finance its expansion.

Moving forward, our fund strategy is to seek investment ideas that are in sync with our objective of long term capital appreciation. In order to realize this goal, we have conducted a rigorous round of management meetings throughout the region. These one-on-one corporate visits combined with our in-depth research will enable us to gradually build up positions in our fund effectively. The fund is expected to pan out in a few months, as we deploy the cash. We are closely monitoring the Saudi market to time our entry into selective Saudi financials that we believe are currently trading at lucrative levels. However, the Saudi market has risen too fast in the past couple of months and might be due for some correction.



Fund Statistics

Price Earnings Multiple 2007 (x)	10.5
Dividend Yield 2006 (%)	3.8
Number of Holdings	38
Annualized Return (%)	3.6
Largest Monthly Gain (%)	0.3
Largest Monthly Loss (%)	NA
% of Positive Months	100
Maximum Drawdown- Peak to Trough (%)	NA
Length of Drawdown (months)	NA
Time to Recovery (months)	NA

Investment Objective

The fund seeks long-term capital appreciation by investing primarily in financial sector equities listed in Kuwait, Oman, Qatar, Bahrain, the United Arab Emirates, Saudi Arabia, Egypt, Tunisia, Jordan, Morocco and Lebanon.

Fund Returns (%)

	Fund
August 2007	0.3
Year to Date 2007	0.3

Fund Information

Launch Date	August 7, 2007
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Monthly
Subscription Deadline	Five Business days before month end
Redemption Deadline	Ten Business days before month end
Minimum Subscription	US\$100,000
Reuters Code	<SICO>
Fund Listing	Bahrain Stock Exchange
Custodian	Gulf Clearing Company

Top Holdings

Name	Country	(%)
Gulf Finance House	Bahrain	2.2
Bank of Bahrain and Kuwait	Bahrain	2.2
Global	Kuwait	1.5
Ithmaar Bank	Bahrain	1.3
First Gulf Bank	UAE	1.2

Risk Statistics

Annualised Standard Deviation	NA
Sharpe Ratio	NA
Information Ratio	NA
Beta	NA
Alpha (%)	NA

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بنك استثماري
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 Investment Bank

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