

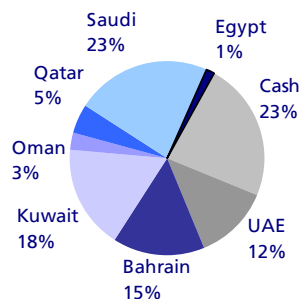
Manager's Commentary

The GCC markets overcame the previous trend of mixed results by finishing off on a buoyant note in December. The Saudi market racked up the highest gain of 18.1%. Dubai and Abu Dhabi followed next with gains of 10.8% and 9.3% respectively, boosted by the Iranian gas deal and a flurry of investments in real estate. Amongst the remaining markets, Oman appreciated by 7.0%, while Bahrain gained 6.1%. Further, Kuwait (4.2%) and Qatar (2.3%) also reversed their negative performance in November. At year end, the regional stock markets produced solid results against a backdrop of high oil prices and strong earnings growth. The average market return exceeded 44%, while Oman rallied 61.9%.

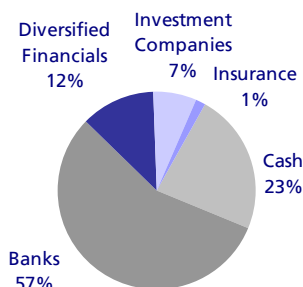
The NAV of SICO Arab Financial Fund (SAFF) was up by 8.5% in December, marking the highest return to date. Our equity investments in Saudi and Bahrain fared well and contributed to the fund's returns. Amongst the top performers were Saudi Investment Bank and Banque Saudi Fransi with returns of 32% and 29% respectively. Other contributing stocks included Gulf Finance House (22%), and Bank of Bahrain and Kuwait (20%).

During the month, the fund continued to evolve as we tapped into Egyptian equities such as Commercial International Bank and EFG Hermes Holding. EFG maintains a sound business model. Not only is the company's brokerage unit flourishing in the UAE, but it also continues to grow by expanding its regional footprint. Further to our fund strategy, we increased our exposure in Ithmaar Bank, Global Investment House and United Gulf Bank. On the contrary, we trimmed our exposure in the Saudi market as it seems to be hinging on speculative gains resulting in steep valuations. We are also mindful of any negative sub prime impact that may spook the year end financial results for the Saudi market. Therefore, we took advantage of the rise in prices and booked profits in Bank Al Jazira, Banque Saudi Fransi and Riyadh Bank in a move to eliminate our position in Saudi. Our total cash allocation reached 23% at the end of the month. We are timing our entry into selective stocks to invest the surplus cash generated.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2007 (x)	13.7
Dividend Yield 2006 (%)	2.7
Number of Holdings	43
Annualized Return (%)	57.1
Largest Monthly Gain (%)	8.4 (Dec-07)
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
December 2007	8.5
Since inception (Aug'07-Dec'07)	20.7
Last 3 months	19.0

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	LP65077627
Zawya Code	SICOAFF.MF
Fund Listing	Bahrain Stock Exchange
Custodian	Gulf Clearing Company

Top Holdings

Name	Country	(%)
Ithmaar Bank	Bahrain	5.2
Global Investment House	Kuwait	3.8
Gulf Finance House	Bahrain	3.6
Saudi Investment Bank	Saudi	3.3
United Gulf Bank	Bahrain	3.2

Risk Statistics

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

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بنك استثماري **sico**
 Investment Bank

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