

Manager's Commentary

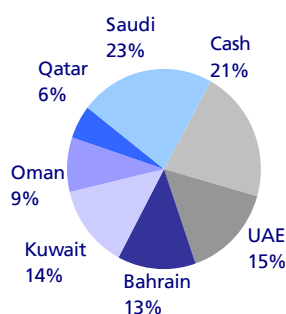
The GCC markets reverted to mixed performances in November with several markets ending in negative territory. Kuwait was the most disappointing bourse with returns declining by 5.6%. Investors penalized the companies that lost the bid for the third mobile license. Abu Dhabi faced selling pressure in banking and energy stocks and lost 2.5% for the month. Bahrain and Qatar followed next with negative returns of 2.0% and 0.6% respectively. On the upside, the Saudi bourse achieved the highest gain of 9.8%, followed by Oman (5.3%) and Dubai (1.4%). The Saudi market rallied in anticipation of the government budget and the ongoing high oil prices.

The NAV of SICO Arab Financial Fund (SAFF) was up by 2.9% in November. Our fund benefited from Saudi equities particularly, Riyadh Bank which appreciated by 25%. Al Jazira Bank and Banque Saudi Fransi also attracted buying interest and posted healthy returns of 21% and 20% respectively. However, Kuwaiti and UAE stocks slackened the fund's performance. Abu Dhabi Islamic Bank lost 11% while in Kuwait, National Bank of Kuwait, Kuwait Investment and Gulf Bank lost 6% each.

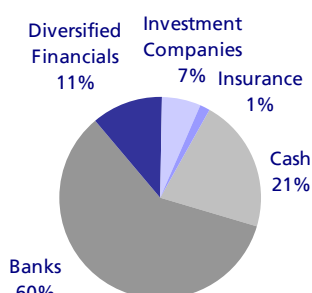
During the month, we built a position in Al Salam Bank. The bank is successfully wooing expansion in retail banking and tripled its third quarter profit to \$ 8.7m. We also invested in Samba Financial Group which is perceived as an innovative player within the Saudi banking sector. On the other hand, we booked profits in Masraf Al Rayan Bank and Barwa Real Estate.

The regional banking sector remains promising in terms of growth in loans and deposits. Banks in GCC earned a combined \$10.7 billion in net profit in the first nine months, up by 15% from 2006, while total assets of the top 20 listed Gulf banks rose by 50% to \$509 bn. At this rate, we expect strong full year results. In the meantime, we continue to assess different stocks that will add value to our fund and facilitate investment of cash that currently stands at 21%.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2007 (x)	11.8
Dividend Yield 2006 (%)	3.1
Number of Holdings	49
Annualized Return (%)	37.9
Largest Monthly Gain (%)	6.7 (Oct 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
November 2007	2.9
Since inception	11.3
Last 3 months	11.0

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	<SICO>
Zawya Code	SICOAFF.MF
Fund Listing	Bahrain Stock Exchange
Custodian	Gulf Clearing Company

Top Holdings

Name	Country	(%)
Gulf Finance House	Bahrain	3.3
Bank Al Jazira	Saudi	3.3
Saudi Investment Bank	Saudi	2.9
Ithmaar Bank	Bahrain	2.7
Global Investment House	Kuwait	2.5

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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