

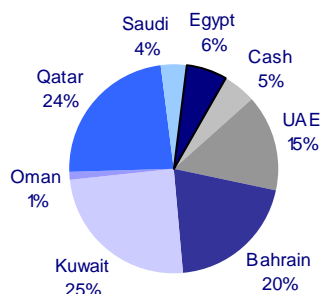
## Manager's Commentary

The release of first quarter corporate earnings purged the sharp and pervasive turbulence seen in the last month. Investors were upbeat after witnessing strong profitability growth resulting in a positive turnaround of all the markets in April. In the GCC, Qatar (+18%), Saudi (+12%) and Oman (+11%) were the best performing markets. The UAE markets also rallied strongly while Kuwait and Bahrain posted only modest returns.

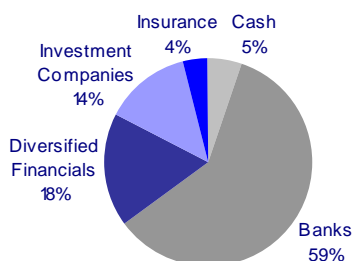
Financials in all markets recorded double-digit earnings growth although some exceptions were noted in Saudi and Kuwait. In Saudi for instance, banks reported mixed results and there is still uncertainty regarding the exposure to international debt securities for some of the Saudi banks. In Kuwait, profit taking occurred across both investment companies and commercial banks as investors speculated on the remaining earnings results. On a brighter note, Qatari banks attracted buying interest and performed extremely well. While the booming real estate sector in the UAE continued to have a positive spin-off effect on mortgage lenders as seen by the record growth in the profitability of Amlak Finance and Tamweel.

The NAV of SICO Arab Financial Fund (SAFF) was up by 5.3% in March and 12.8% for the year. Our investments in Qatar and the UAE, such as Qatar Islamic Bank and Tamweel gained 28% and 18% respectively thus, contributing favourably to the fund's returns. During the month, we strengthened our equity holdings in both these markets. We also slightly increased our exposure in Saudi by investing in selective banking stocks. On the other hand, we booked some profits in financial stocks in Bahrain and slightly decreased our exposure in Kuwait. At the end of the month, our cash allocation decreased from 7% to 5%.

### Country Allocation



### Sector Allocation



## Fund Statistics

Price Earnings Multiple 2008 (x)	12.2
Price to Book Multiple latest (x)	2.9
Dividend Yield 2007 (%)	4.1
Number of Holdings	38
Annualized Return (%)	47.3
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

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## 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 (%)

April 2008	5.3
Year to date	12.8
Last 3 months	12.6
Last 6 months	25.9
Since inception (Aug 07-Apr 08)	36.2
2007 (Aug 07-Dec 07)	20.7

## Fund Information

Launch Date	August, 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/ Administration	Gulf Clearing Company

## Top Holdings

Name	Country	(%)
Gulf Finance House	Kuwait	5.7
KIPCO	Kuwait	5.2
Ithmaar Bank	Bahrain	5.0

## Risk Statistics

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

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