

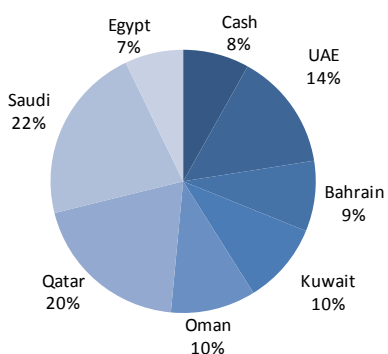
Manager's Commentary

Regional markets' performance in August was a mixed bag following the bounce experienced in the previous month. MSCI Arabian markets index slid by 0.5% pressured by Saudi Arabia (-2.8%), UAE (-1.9%) and Oman (-0.6%). Saudi Arabia experienced across the board declines led by the petrochemicals and industrials. Red Sea Housing (-13%), Maadaniya (-10.3%) and Yanbu National Petrochemical (-8.5%) were amongst the biggest decliners in the Kingdom. In UAE, the declines were led by real-estate related companies. Qatari market, which appreciated by 2.8%, was driven by its financial and real-estate related companies. During the month, Egypt was up 1.4%. While Kuwait's official index increased by 0.5%, its market cap weighted index rose 4.0%.

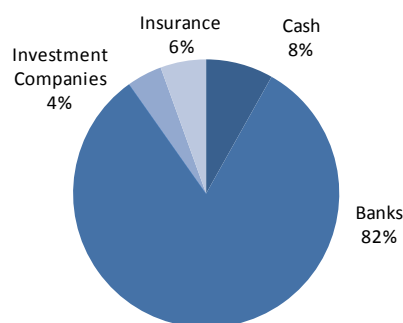
In February this year, the Kuwaiti parliament approved a KWD31bn (USD110bn) development plan designed to diversify the Kuwait economy. In August, Kuwaiti financials rallied on the back of news reports that the government intends to provide financial guarantees on loans granted to certain projects under its development plan. Burgan Bank (+27.5%), Gulf Bank (+20.4%) and National Bank of Kuwait (+13.1%) were among the best performers during the month. Despite the steep rally in share price of Kuwait financials, specific details on the proposal have not been made public as yet.

The NAV of SICO Arab Financial Fund (SAFF) was up 1.8% for the month and is up 12.6% for the year. On the other hand, S&P GCC Financial Index was up 0.5% for the month and is up 2.3% for the year. Your fund benefited from its investments in Qatar and Kuwait while the performance of the Index was impacted by declines in the financials based in Saudi Arabia. During the month, we increased our investments in financials in UAE and Qatar. Consequently, the cash allocation of the fund declined from 10% to 7.5%.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM	13.2
Price to Book Multiple (latest x)	1.6
Dividend Yield 2009 (%)	3.2
Number of Holdings	31
Annualized Return (%)	3.0
Largest Monthly Gain (%)	10.0(Apr-08)
Largest Monthly Loss (%)	-16.4(Oct-08)
% of Positive Months	53
Maximum Drawdown- Peak to Trough (%)	46
Length of Drawdown (months)	9
Recovery from recent trough (%)	44

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	S&P GCC Financial
Aug 2010	1.8	0.5
YTD 2010 (Jan -Aug)	12.6	2.3
2009	14.8	3.4
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Last 3 months	4.7	3.8
Last 6 months	5.4	-1.6
Last 1 year	9.6	0.6
Last 3 years	9.0	-38.4
Since Inception (Aug 07- Aug10)	9.4	-35.3

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 ISIN Code	BH000A1CZ8Q9
Custodian/ Administration	HSBC Middle East

Top Holdings

Name	Country	(%)
National Bank of Abu Dhabi	UAE	5.3
Bank Saudi Fransi	Saudi	5.0
NBK	Kuwait	4.9

Risk Statistics

Annualised Standard Deviation %	20.8
Sharpe Ratio	nm
Information Ratio	1.3
Beta	0.67
Alpha (%)	10.4

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