

# SICO Arab Financial Fund

Fact Sheet - August 2011

NAV US\$11.3 ↓ 2.4%

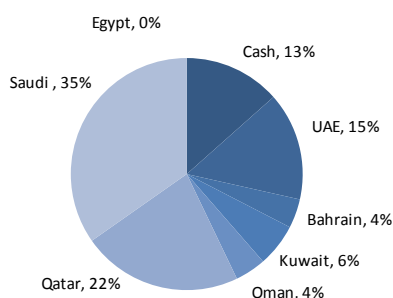
## Manager's Commentary

Regional markets experienced abnormal levels of volatility in August. The S&P Arabian index declined by as much as 6% when S&P downgraded the US debt rating from AAA to AA+ in the midst of concerns over Euro-zone debt. However, the markets managed to recover from their bottom and the index ended down 4.5% for the month, with Egypt (-7.9%), Saudi Arabia (-6.5%) and Kuwait (-4%) being the biggest decliners. While petrochemicals and industrial stocks weighed down the Saudi market, large caps such as EFG Hermes (-14.9%), Orascom Telecom (-10.4%) and Orascom Construction (-8.4%) pulled down the Egyptian index. Surprisingly, Qatar, Oman and Abu Dhabi remained resilient in the face of global uncertainty and declined by less than 1%.

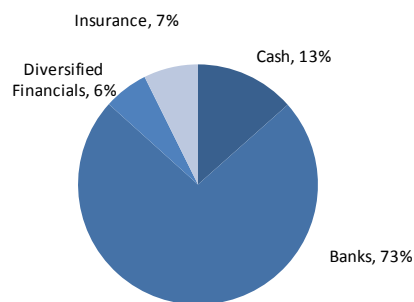
In August, Federal Reserve chairman Ben Bernanke announced that he does not expect short-term interest rates to increase over the next two years. This contributed to the declines in Saudi based financials - most notably, SAMBA Financial Group (-10.4%), Saudi Holandi (-9.7%) and Banque Saudi Fransi (-8.1%). Given the uncertainty, investors preferred to increase exposure to Qatari financials due to their attractive dividend yields. Amongst the financials in Qatar, Doha bank (+14.9%) and Commercial Bank of Qatar (+9.6%) significantly outperformed the sector during the month.

Your fund declined by 2.4% during the month compared to a 2.8% decline in the S&P Pan Arab Financial Index. Year to date, the fund is down by 6.8% while the S&P Pan Arab Financial Index is down by 13.8%. Our strategy to totally exit our investments in Egypt and to maintain a defensively positioned portfolio contributed to the healthy outperformance of the fund. A number of regional financials are trading at very attractive valuations multiples subsequent to the recent market declines. Going forward we intend to judiciously invest the cash allocation in defensive financials and other stocks yielding high dividends.

### Country Allocation



### Sector Allocation



## Fund Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	11.1	12.5
Price to Book Multiple Latest (x)	1.7	1.8
Return on Equity TTM (%)	17.8	12.7
Dividend Yield 2010 (%)	3.6	3.2
Number of Holdings	22	50
Annualized Return (%)	3.2	-10.1
Largest Monthly Gain (%)	10.0 (Apr 09)	16.1 (Apr-09)
Largest Monthly Loss (%)	-16.4 (Oct 08)	-20.6 (Oct-08)
% of Positive Months	56	42
Maximum Drawdown- Peak to Trough (%)	-46.4	-60.1
Length of Drawdown (months)	9	12
Recovery from recent trough (%)	52.0	25.2

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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 (%)

	Fund	S&P Pan Arab Financial
Aug 2011	-2.4	-2.8
YTD 2011 (Jan-Aug)	-6.8	-13.8
2010	25.2	9.2
2009	14.8	4.8
2008	-29.9	-50.2
2007 (Aug'07-Dec 07)	20.7	33.0
Last 3 months	-5.0	-8.1
Last 6 months	-1.1	-6.1
Last 1 year	3.6	-6.6
Last 3 years	-11.7	-44.2
Since Inception (Aug 07- Aug 11)	13.3	-34.6

## Fund Information

Launch Date	August 2007
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Weekly
Dealing day	Wednesday
Redemption/Subscription Deadline	Two Business days before dealing day
Minimum Subscription	US\$100,000
Bloomberg Code	SICARAF BI
Zawya Code	SICOAFF.MF
Fund ISIN Code	BH000A1CZ8Q9
Custodian/ Administration	HSBC Bahrain

## Top Holdings

Name	Country	(%)
AL Rajhi Bank	Saudi	6.9
Qatar National Bank	Qatar	6.4
Riyad Bank	Saudi	5.6

## Risk Statistics

Annualised Standard Deviation (%)	18.7
Sharpe Ratio	0.01
Tracking Error (%)	10.4
Information Ratio	1.3
Alpha (%)	9.7
Beta	0.7