

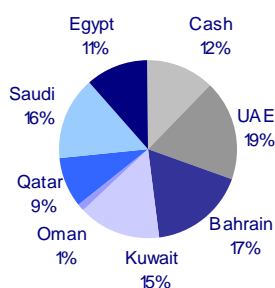
**Manager's Commentary**

The regional markets experienced significant declines during the month. Dubai (-11.9%), Oman (-11.6%), and Abu Dhabi (-11.3%) were among the biggest losers. The downside was primarily driven by foreign investors reallocating capital from most regional markets to equities listed in the US. Decline in Dubai was further fuelled by niggling worries over the real-estate sector and issues relating to corporate governance in certain blue-chip companies. Saudi Arabia was the only exception, which increased marginally (0.2%). Saudi shares rallied after Saudi Capital Markets Authority announced that it will allow foreign investors to obtain indirect ownership of Saudi listed equities.

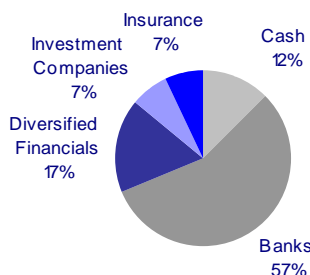
Ironically, large financial institutions with anticipated good prospects for earnings growth, experienced significant decline in their share price due to their relatively high foreign investor base. National bank of Abu Dhabi (-20%), First Gulf Bank (-15%) and Qatar National bank (-9%) were among the biggest losers. Negative sentiments on the prospects for real-estate market coupled with allegations of embezzlement against the former CEO of Tamweel, drove down its share price (-22.5%). However, positive news flow relating to changing regulations helped most financials in Saudi Arabia to end up for the month. Samba Financial Group (+15.7%), Al Rajhi Bank (+7.0%) and Riyad Bank (+5.3%) were among the best performers.

The SICO Arab Financial Fund (SAFF) was down by 4.8% in August and is up 6.4% for the year. On the other hand, the S&P GCC Financial Index declined by 5.8% for the month and is down 12.3% for the year. We benefited from the rally in Saudi based financials and moderate performance of our investments in Egypt. However, our fund was impacted by the steep decline in selected UAE based financials. Despite the sharp market correction and the resultant investor scepticism, we will continue to focus on our philosophy of investing in companies with sound business and fundamentally attractive valuation multiples.

**Country Allocation**



**Sector Allocation**



**Fund Statistics**

Price Earnings Multiple 2008 (x)	10.6
Price to Book Multiple 2008 (x)	3.3
Dividend Yield 2007 (%)	2.3
Number of Holdings	36
Annualized Return (%)	28.4
Largest Monthly Gain (%)	8.4 (Dec-07)
Largest Monthly Loss (%)	4.8 (Aug 08)
% of Positive Months	75
Maximum Drawdown- Peak to Trough (%)	2.1%
Length of Drawdown (months)	3
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	S&P Financial
August 2008	-4.8	-5.8
Year to Date 2008	6.4	-12.3
Last 3 months	-1.0	-9.7
Last 6 months	11.4	-1.5
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Aug 07- Aug 08)	28.4	15.3

**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 Listing	Bahrain Stock Exchange
Custodian/ Administration	HSBC Middle East,

**Top Holdings**

Name	Country	(%)
EFG - Hermes	Egypt	5.0
Gulf Finance House	Bahrain	4.4
Tamweel	UAE	3.8

**Risk Statistics**

Annualised Standard Deviation	13.0
Sharpe Ratio	1.81
Information Ratio	0.9
Beta	0.4
Alpha (%)	18.7

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