

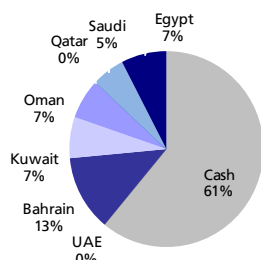
Manager's Commentary

The GCC markets witnessed the worst returns in their history during 2008. Dubai faced the brunt of the declines (-72%) followed by Saudi Arabia (-57%) and Egypt (-53%). Bearish investor sentiment coupled with a steep decline in real-estate prices contributed to the declines in Dubai. Qatar (-28%) recorded relatively lower declines compared to the rest of the region partly due to the rally it experienced in December. During December, Dubai declined by 16% while Abu Dhabi, Kuwait and Oman declined in the range of 12-14%.

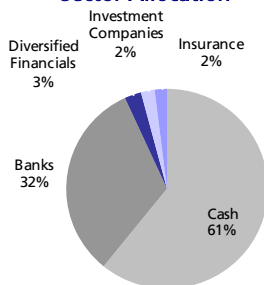
The year 2008 was a tale of two halves for most financials in the region, they endured the best of times and the worst of times. During the first half of the year, companies such as Gulf Finance House, Tamweel, Global and Shuaa which were closely associated with either the investment industry and/or the real-estate boom in the region significantly increased in value. However, during the second half, when the regional markets succumbed to the global credit crunch and regional real-estate woes, these companies were severely punished. Overall, Qatari based financials performed the best during the year, as they benefited from significant growth in profits driven by the surge in loan growth fuelled by aggressive government spending and buoyant real-estate market. Uncertainty on the quality of advances and the impact of the liquidity crisis resulted in Dubai recording the worst losses.

The NAV SICO Arab Financial Fund (SAFF) was down 3.6% in December and is down 29.9% for the year. On the other hand, S&P GCC Financial Index decreased by 8.7 % for the month and is down 53.4% for the year. Despite 2008 being an unfavourable year for financials, your fund was among the best performing funds in the region. Our fundamentally based bottom-up investment strategy clearly helped us achieve this outperformance. Although we will continue to remain cautious, we are of the opinion that the substantial correction across all financials regardless of the fundamentals has resulted in number of mispriced securities within the sector. We believe our fundamentally based research approach would enable us to unearth these investment opportunities going forward.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	10.0
Price to Book Multiple(x)	0.8
Dividend Yield 2007 (%)	5.3
Number of Holdings	20
Annualized Return (%)	-11.1
Largest Monthly Gain (%)	8.4 (Dec-07)
Largest Monthly Loss (%)	16.4
% of Positive Months	53
Maximum Drawdown- Peak to Trough (%)	39.1
Length of Drawdown (months)	7
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
December 2008	-3.6	-8.7
Year to Date 2008	-29.9	-53.4
Last 3 months	-23.6	-39.4
Last 6 months	-38.6	-51.5
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Aug 07- DEC08)	-15.4	-38.8

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	(%)
Burgan Bank	Kuwait	4.2
CIB	Egypt	3.8
Bank Muscat	Oman	3.6

Risk Statistics

Annualised Standard Deviation	22.6
Sharpe Ratio	NA
Information Ratio	1.2
Beta	0.6
Alpha (%)	5.5

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