

## SICO Arab Financial Fund

Fact Sheet - December 31, 2009

NAV US\$ 9.712 ↓ 7.4%

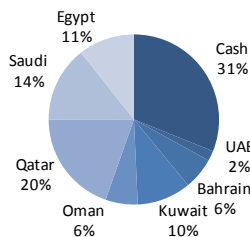
## Manager's Commentary

December was a rollercoaster month for the regional markets. All the major indices were in freefall in the beginning of the month. However, markets bounced back when the Abu Dhabi government announced that it granted a loan of USD 10bn to Dubai. Ultimately, MSCI Arabian index was down by only 1% for the month. As expected, Dubai was the worst performing market declining by 7% while Saudi Arabia and Qatar fell by 4% and 3% respectively. Egypt, on the other hand, was the best performing market increasing by 6% mainly led by blue chips such as TMG Holdings (+15%), Orascom Construction (+12%) and Elsewedy cables (+10%). Other markets such as Abu Dhabi were up 2.8%, while Kuwait was up 1%. Egypt (+35%) and Saudi(+28%) were the best performing markets in 2009 while Bahrain(-19%) and Kuwait(-10%) were the worst.

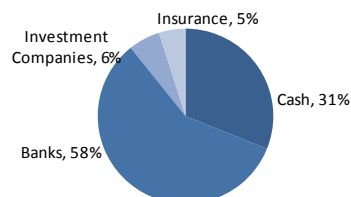
The share prices of almost all regional financials were impacted by Dubai's debt crisis. Emirates NBD and Abu Dhabi Commercial Bank bore the brunt of the declines mainly due to concerns regarding exposure to Dubai World. Saudi based financials experienced significant declines over fears of substantial increase in loan loss provisioning in the 4<sup>th</sup> quarter of 2009. Saudi British Bank (-16%), Saudi Hollandi Bank (-12%) and Arab National Bank (-10%) were among the most affected banks.

The NAV of SICO Arab Financial Fund (SAFF) declined by 7.4% for the month and is up 14.8% for the year. On the other hand, S&P GCC Financial Index was down 4.5% for the month and is up 3.4% for the year. Subsequent to Dubai World's announcement regarding the standstill, we chose to enforce our internal stop loss limits and increase our cash allocation in order to protect the year to date gains of the fund. However, the bailout by Abu Dhabi drove the markets up substantially and caused our fund to underperform the index. On the other hand, our year to date out performance is sizable and was mainly driven by our strategy of being overweight in financials in Qatar and Egypt while limiting our exposure to Kuwaiti and Saudi based financials. We are positive on the prospects for financials in 2010, as we expect loan loss provisioning to bottom-out in the 4<sup>th</sup> quarter.

## Country Allocation



## Sector Allocation



## Fund Statistics

Price Earnings Multiple TTM (x)	10.1
Price to Book Multiple(x)	1.6
Dividend Yield 2008 (%)	4.1
Number of Holdings	26
Annualized Return (%)	-1.2
Largest Monthly Gain (%)	10.0(Apr-08)
Largest Monthly Loss (%)	-16.4(Oct-08)
% of Positive Months	52
Maximum Drawdown- Peak to Trough (%)	46
Length of Drawdown (months)	9
Recovery from recent trough (%)	30

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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 GCC Financial
Dec 2009	-7.4	-4.5
YTD 2009 (Jan - Dec)	14.8	3.4
Last 3 months	-9.1	-10.5
Last 6 months	3.2	0.7
Last 1 year	14.8	3.4
Last 3 years	n/a	n/a
Last 5 years	n/a	n/a
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Oct 07- Dec 09)	-2.9	-36.7

## 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	HSBC Middle East

## Top Holdings

Name	Country	(%)
Qatar National Bank	Qatar	5.2
Doha Bank	Qatar	4.3
Bank Muscat	Oman	4.3

## Risk Statistics

Annualised Standard Deviation %	21.8
Sharpe Ratio	-0.3
Information Ratio	1.16
Beta	0.65
Alpha (%)	8.3