

### Manager's Commentary

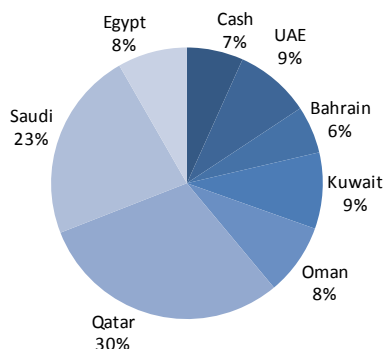
Most Arab markets rallied in December with S&P Arabian Index increasing by 4.5% led by Qatar (+6.6%), Egypt (+6.5%) and Saudi Arabia (+4.8%). The Qatari market extended the gains recorded in November on the back of the euphoria which followed Qatar winning the bid to host 2022 FIFA World Cup while the increase in large caps such as Commercial International Bank (+14.2%) and Orascom Construction (+9.2%) drove the Egyptian market. News reports on Aramco's capacity expansion fuelled the increase in Saudi based industrials such as Arabian Pipes (+31.2%), Saudi Steel Pipes (+21.7%) and Saudi Arabian Amiantit (+18.8%). However, Dubai (-2.3%), Abu Dhabi (-0.4%), and Bahrain (-0.4%) declined in December.

Financials in Qatar stole the limelight during the month. Investors expect the robust loan growth in Qatar to continue due to the aggressive investment commitments made by the Qatari government subsequent to the successful bid to host FIFA World Cup. Masraf Al Rayan (+17.2%), Doha Bank (+17.1%) and Qatar National Leasing (+16.8%) were among the top performers in Qatar.

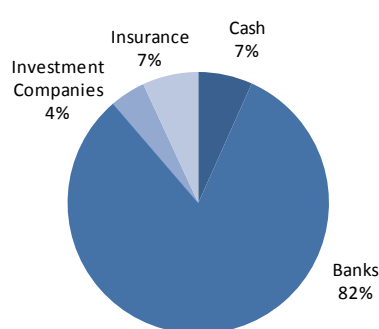
The NAV of SICO Arab Financial Fund (SAFF) increased by 3.5% for the month while the S&P GCC Financial Index was up by 3.9%. During 2010 your fund was one of the best performing funds in the region, it generated a total return of 25.2% for 2010 while the benchmark increased by only 9.6%. Amidst the unprecedented global financial crisis, the S&P GCC financial index declined by 47.2% over the past three years. However, we are happy to note that your fund during the same period has managed to recover all losses and is up 0.7%. We believe our bottom up stock picking strategy backed by sound fundamental research contributed to the fund's significant outperformance.

In anticipation of a market rally in Qatar, we further increased our exposure to Qatari financials, as a result our cash allocation decreased from 21% to 7%.

Country Allocation



Sector Allocation



### Fund Statistics

Price Earnings Multiple TTM	13.6
Price to Book Multiple (latest x)	2.1
Dividend Yield 2009 (%)	3.7
Number of Holdings	30
Annualized Return (%)	5.0
Largest Monthly Gain (%)	10.0 (Apr-08)
Largest Monthly Loss (%)	-16.4 (Oct-08)
% of Positive Months	60
Maximum Drawdown- Peak to Trough (%)	46
Length of Drawdown (months)	9
Recovery from recent trough (%)	63

### 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 2010	3.5	3.9
2010 (Jan -Dec)	25.2	9.6
2009	14.8	3.4
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Last 3 months	5.0	1.5
Last 6 months	16.5	12.1
Last 1 year	25.2	9.6
Last 3 years	0.7	-47.2
Since Inception (Aug 07- Dec 10)	21.6	-30.6

### Fund Information

Launch Date	August 2007
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Weekly
Subscription Deadline	Two Business days before month end
Redemption Deadline	Two 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	(%)
Doha Bank	Qatar	5.5
Commercial Bank of Qatar	Qatar	5.0
Masraf AL Rayan	Qatar	5.0

### Risk Statistics

Annualised Standard Deviation %	20.0
Sharpe Ratio	0.1
Information Ratio	1.3
Beta	0.7
Alpha (%)	11.6

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