

SICO Arab Financial Fund

Fact Sheet - February 28, 2011

NAV US\$ 11.47 ↓ -4.8 %

Manager's Commentary

February was a turbulent month for regional markets, as a result of protests and political unrest. S&P Arabian Index declined by 5.6% led by Oman (-10.2%), Qatar (-9.3%) and Dubai (-8.1%). Declines in Oman accelerated in the last two days of the month subsequent to the protests in Sohar; relatively liquid stocks such as Galfar Engineering (-22.2%), Renaissance (-18.0%) and Bank Muscat(-17.6%) bore the brunt of the declines. The declines in Qatar were exacerbated by the dividend payouts. While Kuwait and Saudi Arabia fell in the range of 5-6%, Abu Dhabi was flat for the month mainly due to 4.8% increase in Etisalat. Egyptian market remained closed in February.

During the month, the Qatari Central Bank instructed conventional Commercial Banks to close their Islamic banking operations by the end of 2011. As a result, all conventional banks in Qatar experienced significant declines. Adjusted for dividends, share price of QNB, CBQ and Doha Bank declined by 13.5%, 7.9% and 6.6% respectively. In contrast, share price of Islamic Banks such as Masraf Al Rayan (+8.5%), and Qatar International Islamic Bank (+3.4%) reported gains after adjusting for dividends.

The NAV of SICO Arab Financial Fund (SAFF) was down by 4.8% for the month while the S&P GCC Financial Index declined by 7.2%. The fund profited from healthy dividend payout in its Qatari investments. Dividend yields of CBQ and Doha bank were as high as 10%. The fund also benefited from its cash allocation and its exposure to UAE based financials. Given the recent developments in the region, we anticipate markets to remain volatile. However, we intend to utilize our healthy cash allocation to increase our exposure to certain fundamentally attractive companies.

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
Jan 2011	-4.8	-7.2
YTD 2011 (Jan-Feb)	-5.8	-7.5
2010	25.2	9.6
2009	14.8	3.3
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Last 3 months	-2.5	-3.9
Last 6 months	4.8	-0.9
Last 1 year	10.5	-2.5
Last 3 years	-11.5	-52.8
Since Inception (Aug 07- Feb 11)	14.6	-35.8

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 Middle East, Bahrain

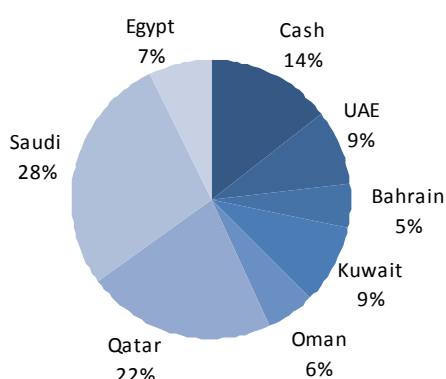
Top Holdings

Name	Country	(%)
Arab National Bank	Saudi	4.9
Al Rajhi Bank	Saudi	4.8
Doha Bank	Qatar	4.6

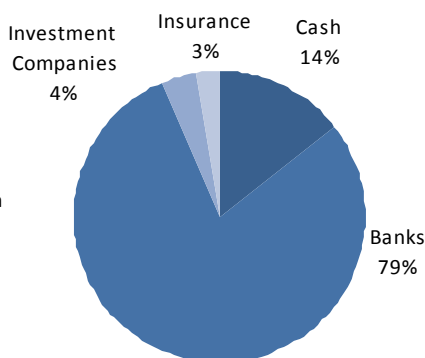
Risk Statistics

Annualised Standard Deviation %	19.6
Sharpe Ratio	0.0
Tracking Error	11.9
Information Ratio	1.3
Beta	0.7
Alpha (%)	10.7

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM	13.1
Price to Book Multiple (latest x)	1.9
Dividend Yield 2009 (%)	3.5
Number of Holdings	30
Annualized Return (%)	3.9
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

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