

### Manager's Commentary

All regional markets except Saudi Arabia (+1.4%) declined during the month. The decline was particularly acute in Qatar (-23.7%). Lower than expected 4th quarter earnings together with news on the temporary disruption to the LNG production facilities contributed to the poor performance in Qatar. Worries over the stability of the banking system contributed to the declines in Kuwait (-13.1%), while Oman lost 11.5% after the announcement of a delay in the establishment of the stabilization fund.

Most financials in the region reported lower than expected earnings during the fourth quarter. This was mainly due to Banks being forced to recognize investment losses and increase their provisions on loans. In Qatar, QNB and CBQ reported 43% and 73% QoQ decrease in earnings for the 4th quarter. Consequently, value of these financials decreased by as much as 35% and 28% during the month. The decrease in earnings amongst the large cap financial in Saudi Arabia was primarily due to pre-emptive increase in loan loss provisions. Earnings of Al Rajhi, Saudi Fransi and Saudi British Bank declined by 18%, 22% and 8% QoQ, respectively. Despite the disappointing result, we expect earnings particularly amongst the large cap financials in Saudi Arabia and Qatar to recover due to the significant amount of one-off impairments booked in the 4th quarter 2008.

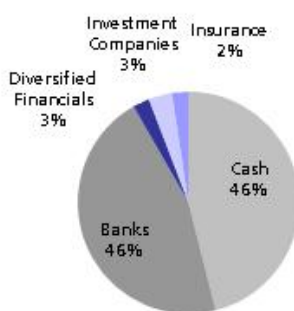
The NAV of SICO Arab Financial Fund (SAFF) was down by 7.2% in January. During the same period, the S&P Financial Index declined by 10.5% for the month. Despite the bearish outlook for the sector, we are cautiously optimistic on the prospects for large cap financials with sound risk management systems. We intend to continue to maintain a relatively large cash allocation in order to capitalize on the anticipated increase in volatility.

We are also happy to note that Standard & Poor's has awarded SICO Arab Financial Fund the "A" rating. According to S&P, the funds' rating reflects the high standards of quality based on our investment process, risk awareness and consistency of performance.

#### Country Allocation



#### Sector Allocation



### Fund Statistics

Price Earnings Multiple 2008 (x)	7.7
Price to Book Multiple(x)	0.9
Dividend Yield 2007 (%)	6.1
Number of Holdings	20
Annualized Return (%)	-14.9
Largest Monthly Gain (%)	8.4 (Dec-07)
Largest Monthly Loss (%)	16.4
% of Positive Months	50
Maximum Drawdown- Peak to Trough (%)	43
Length of Drawdown (months)	8
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
January 2009	-7.2	-10.5
YTD 2009	-7.2	-10.5
Last 3 months	-15.2	-29.7
Last 6 months	-41.8	-55.2
Last 12 months	-35.2	-55.9
2008	-35.2	-55.9
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Aug 07- Jan 09)	-21.5	-45.2

### 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	4.8
CIB	Egypt	4.0
NSGB	Egypt	3.8

### Risk Statistics

Annualised Standard Deviation	22.6
Sharpe Ratio	-0.8
Information Ratio	1.2
Beta	0.6
Alpha (%)	4.4

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بنك استثماري **sico**  
Investment Bank

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FUND MANAGEMENT RATING

## SICO Arab Financial Fund

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