

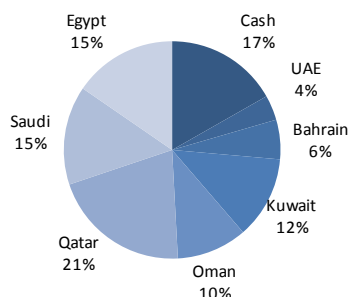
Manager's Commentary

January was a mixed month for the Arabian Markets. While Egypt, Oman and Saudi increased by 8.8%, 2.6% and 2.1% respectively; Dubai (-11.8%), Qatar (-5.8%) and Abu Dhabi (-4.0%) experienced significant declines. Overall, the MSCI Arabian Index was flat for the month. Egyptian market was driven by Orascom Telecom (+27%), EFG (+22%) and Palm Hills Development (+15%). The biggest gainers in the Saudi Arabia included Kingdom Holding (+61%), Saudi Vitrified (+20%) and Saudi British Bank (+13%). The declines in UAE and Qatar were mainly driven by real-estate related companies. In UAE, Union Properties (-25%), Emaar (-20%) and Aldar (-21%) were among the biggest decliners while in Qatar, Barawa Real Estate (-17%) and United Development Company (-18%) suffered bulk of the declines.

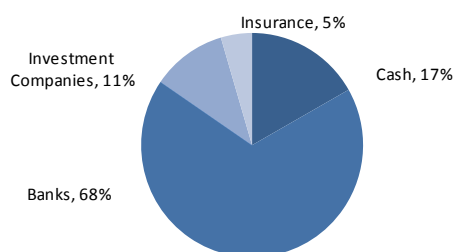
Share price of Saudi Banks ended on a positive note, despite significant decline in earnings in the 4th quarter. During the 4thQ09, earnings of Saudi Banks declined by 52%YoY and 38%QoQ mainly due to increase in loan loss provision. Investors expect the loan loss provisions in Saudi Banks to have peaked in the 4th quarter 2009. In Egypt; EFG Hermes was one of the biggest gainers during the month (+22%). In January, EFG announced that it sold its entire stake in Bank Audi. Subsequently, rumours in the market were rife that EFG Hermes was planning to acquire a stake in either Bank Muscat or Ahli United Bank in Bahrain. This triggered the rise in the share price of Ahli United Bank (24%) and Bank Muscat (13%).

The NAV of SICO Arab Financial Fund (SAFF) was up by 0.8% for the month. On the other hand, S&P GCC Financial Index was down 0.5% for the month. Your fund benefited from its exposure to financials in Egypt and Oman while the performance of the index was impacted by the steep decline in the price of Investment Banks based in Kuwait and Bahrain. We continue to be bullish on regional financials in 2010, and intend to further increase our allocation to financials based in Saudi Arabia, Qatar and Oman.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	9.2
Price to Book Multiple(x)	1.7
Dividend Yield 2009 (%)	3.7
Number of Holdings	27
Annualized Return (%)	-0.9
Largest Monthly Gain (%)	10.0(Apr-08)
Largest Monthly Loss (%)	-16.4(Oct-08)
% of Positive Months	53
Maximum Drawdown- Peak to Trough (%)	46
Length of Drawdown (months)	9
Recovery from recent trough (%)	31

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 2010	0.8	-0.5
Last 3 months	-7.4	-7.8
Last 6 months	0.6	-0.9
Last 1 year	24.7	14.9
Last 3 years	n/a	n/a
Last 5 years	n/a	n/a
2009	14.8	3.4
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Aug 07- Jan10)	-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	5.0
Commercial Bank of Qatar	Qatar	5.0

Risk Statistics

Annualised Standard Deviation %	21.4
Sharpe Ratio	-0.3
Information Ratio	1.2
Beta	0.7
Alpha (%)	8.4

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