

Manager's Commentary

Regional markets continued to trend down in July. The S&P Arabian index declined by 2.6% for the month on the back of worries over sovereign debt of Eurozone periphery and the impasse on raising the US's debt ceiling. Egypt (-6.3%) was the worst performing market led by heavyweights such as Mobinil (-20.5%) and Commercial International Bank (-9.2%). Abu Dhabi, Saudi, Kuwait and Bahrain decreased by 2-3% while Dubai remained flat. Qatar (+0.5%) was the best performing market aided by the increase in price of Industries Qatar (+2.9%) and Qatar Telecom (+2.2%).

Second quarter earnings of regional financials was a mixed bag. While financials particularly in Saudi Arabia and Kuwait reported an increase in earnings as a consequence of lower loan loss provisions, aggregate loan growth remained anemic. Banks in the UAE and Kuwait in particular reported limited loan growth during the second quarter. In July, Kuwaiti financials were amongst the worst performers. The share price of large cap financials such as Kuwait Finance House, Gulf bank, and National Bank of Kuwait declined in the range of 7%-12% after Kuwait's capital market authority introduced a new law limiting local investment companies' ownership of listed companies.

Your fund declined by 0.7% during the month compared to 2.2% decline in the S&P Pan Arab Financial Index. The fund's underweight position in Egypt and Kuwait together with its selected investments in Qatar contributed to the outperformance. Regional markets are likely to remain volatile in the short term given the uncertainty surrounding the global economic situation. Going forward we intend to defensively position our portfolio by increasing our investments in large cap banks and financials that generate healthy dividends.

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 Pan Arab Financial
June 2011	-0.7	-2.2
YTD 2011 (Jan-July)	-4.5	-11.3
2010	25.2	9.2
2009	14.8	4.8
2008	-29.9	-50.2
2007 (Aug'07-Dec 07)	20.7	33.0
Last 3 months	-5.2	-6.4
Last 6 months	-3.5	-9.2
Last 1 year	8.1	-3.9
Last 3 years	-13.9	-45.7
Since Inception (Aug 07- July 11)	16.2	-32.8

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 Bahrain

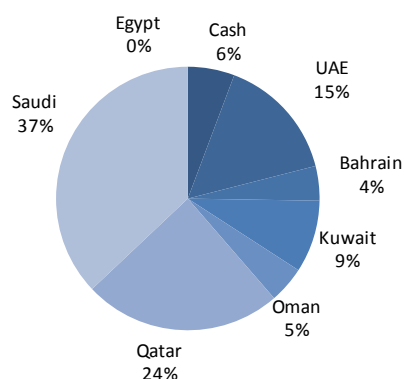
Top Holdings

Name	Country	(%)
AL Rajhi Bank	Saudi	6.8
Qatar National Bank	Qatar	6.5
Riyad Bank	Saudi	6.0

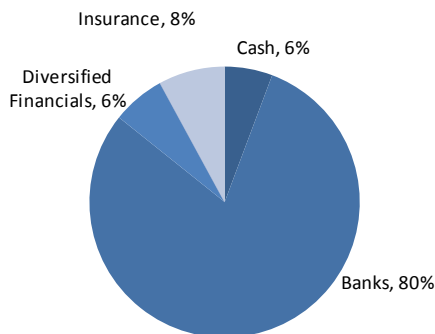
Risk Statistics

Annualised Standard Deviation (%)	18.8
Sharpe Ratio	0.04
Tracking Error (%)	10.4
Information Ratio	1.3
Alpha (%)	9.8
Beta	0.7

Country Allocation



Sector Allocation



Fund Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	11.9	12.9
Price to Book Multiple Latest (x)	1.8	1.9
Return on Equity TTM (%)	17.8	12.7
Dividend Yield 2010 (%)	3.3	3.2
Number of Holdings	22	50
Annualized Return (%)	3.8	-9.4
Largest Monthly Gain (%)	10.0 (Apr 09)	16.1 (Apr-09)
Largest Monthly Loss (%)	-16.4 (Oct 08)	-20.6 (Oct-08)
% of Positive Months	56	42
Maximum Drawdown- Peak to Trough (%)		-60.1
Length of Drawdown (months)		12
Recovery from recent trough (%)		25.2

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