

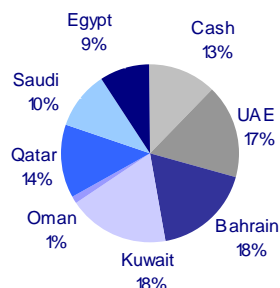
Manager's Commentary

All markets except Abu Dhabi (+0.5%) declined in July albeit at lower volumes. Egypt and Saudi Arabia were amongst the biggest losers declining by 7.8% and 6.5% respectively. Apart from the seasonal lull enveloping the region, macro economic woes continued to haunt Egyptian stocks while decrease in liquidity due to the subscription for IPOs partly accounted for the decline in the Saudi market. Despite the lacklustre performance of the equity markets, as expected, most corporations in the region posted robust growth in earnings. Of the second quarter earnings reported to date, companies in the UAE and Oman recorded the highest growth. Earnings of companies based in UAE increased by 52% (YoY) and while Omani companies appreciated by 43% (YoY).

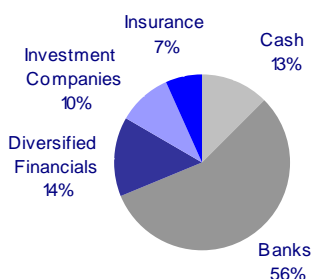
Egyptian financials were severely impacted by deterioration in investor confidence. This stemmed from the culmination of poor macroeconomic sentiment and the cancellation of the sale of Banque du Caire last month. Suez Canal Bank (-28.6%), Union National Bank (-27.1%), Housing and Development Bank (-17.6%) were amongst the biggest losers. Financials in Oman were impacted by worries over monetary tightening measures taken by the Central Bank. National bank of Oman (-17%), Bank Dhofar (-14.5%) and Bank Muscat (-9.3%) were the biggest losers in Oman.

The SICO Arab Financial Fund (SAFF) was down by 2.1% in July and is up 11.7% for the year. On the other hand, the S&P GCC Financial Index declined by 3.0% for the month and down 6.9% for the year. We benefited from the increase in price of Kuwait Projects Company (KIPCO). KIPCO recorded a 58% increase in 1H08 earnings driven by strong growth in its core operations. However, our Saudi and Egyptian based investments were a drag on the performance of the fund. We believe the anticipated seasonal decline in share prices is a buying opportunity given the underlying macroeconomic fundamentals and the healthy growth in corporate earnings. During the month, our cash allocation increased to 13%. We intend to invest these funds in equities which we deem are fundamentally attractive.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	11.4
Price to Book Multiple 2008 (x)	2.7
Dividend Yield 2007 (%)	3.3
Number of Holdings	36
Annualized Return (%)	38.6%
Largest Monthly Gain (%)	8.4 (Dec-07)
Largest Monthly Loss (%)	2.1
% of Positive Months	75%
Maximum Drawdown- Peak to Trough (%)	2.1%
Length of Drawdown (months)	2
Time to Recovery (months)	NA

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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
July 2008	-2.1	-3.0
Year to Date 2008	11.7	-6.9
Last 3 months	6.6	1.5
Last 6 months	14.2	-4.1
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception	34.9	22.4

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	Gulf Clearing Company

Top Holdings

Name	Country	(%)
Gulf Finance House	Bahrain	5.2
EFG - Hermes	Egypt	3.9
Kuwait Projects Company	Kuwait	3.7

Risk Statistics

Annualised Standard Deviation	11.5%
Sharpe Ratio	2.6
Information Ratio	0.6
Beta	0.4
Alpha (%)	21.9

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بنك استثماري sico Investment Bank