

Manager's Commentary

MENA markets ended lower in June; albeit at a slower pace compared to May, as the MSCI Arabian index declined by 2.8% for the month. Egypt and Dubai were the worst performing markets declining by 7.9% and 7.5% respectively. Orascom Telecom (-20%), Palm Hills Development (-12%) and Delta Sugar (-9%) were the biggest decliners in Egypt while in Dubai, the declines were led by large caps such as Emirates Integrated Telecom (-14%), ENBD (-11%), and Dubai Financial Market (-10%). Qatar and Saudi Arabia were the best performing markets for the month, Qatari market increased by 1.7% while Saudi Arabia was down by a marginal 0.4%. Other MENA markets declined in the range of 2-4%.

GCC Financials have significantly outperformed the broader markets over the past two months, primarily due to anticipated improvement in earnings and relatively attractive valuation multiples. National Bank of Abu Dhabi (+6%), Masraf Al Rayan (+6%), and Qatar National Bank (+3%) were among the top performing financials for the month. In Saudi Arabia, the draft of the long-awaited mortgage law met another stumbling block when the Saudi Council of Ministers returned the draft to the Shoura Council for the second time due to differences on number of issues. However, indications are that the draft will be represented after the Ramadhan vacations and then presented to the King for signing.

The NAV of SICO Arab Financial Fund (SAFF) was down 0.1% for the month and is up 7.5% for the year. On the other hand, S&P GCC Financial Index declined 0.8% for the month and is down 2.2% for the year. Your fund benefited from notable price increases in its top holdings such as NBAD, Masraf Al Rayan and Qatar National Bank. Going forward, while we continue to assess the global macroeconomic sentiments, we are repositioning are portfolio to benefit from the forthcoming earnings season.

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
June 2010	-0.1	-0.8
YTD 2010 (Jan -June)	7.5	-2.2
2009	14.8	3.4
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Aug 07- June10)	4.4	-38.1
Last 3 months	-5.2	-10.9
Last 6 months	7.5	-2.2
Last 1 year	10.9	-1.5
Last 3 years	n/a	n/a
Last 5 years	n/a	n/a

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 ISIN Codes	BH000A1CZ8Q9
Custodian/ Administration	HSBC Middle East

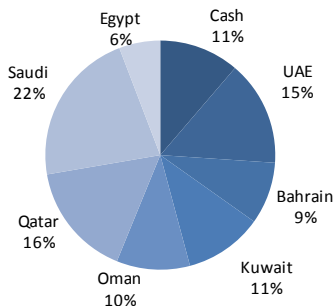
Top Holdings

Name	Country	(%)
National Bank of Abu Dhabi	UAE	5.3
Bank Saudi Fransi	Saudi	5.1
Bank Muscat	Oman	4.5

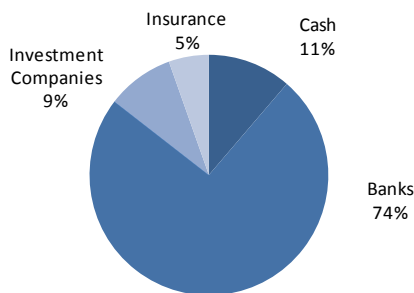
Risk Statistics

Annualised Standard Deviation %	21.1
Sharpe Ratio	-0.2
Information Ratio	1.3
Beta	0.7
Alpha (%)	10

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	11.3
Price to Book Multiple(x)	2.0
Dividend Yield 2009 (%)	2.3
Number of Holdings	31
Annualized Return (%)	1.5
Largest Monthly Gain (%)	10.0(Apr-08)
Largest Monthly Loss (%)	-16.4(Oct-08)
% of Positive Months	54
Maximum Drawdown- Peak to Trough (%)	46
Length of Drawdown (months)	9
Recovery from recent trough (%)	40

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