

# SICO Arab Financial Fund

Fact Sheet - May 2011

NAV US\$ 11.93 ↓ 2.6 %

## Manager's Commentary

All regional markets apart from Egypt (+10.4%) and Saudi Arabia (+0.4%) declined in May. The Egyptian market rallied when Saudi Arabia pledged a USD4 billion aid package that included a USD1 billion deposit at the Central Bank of Egypt and USD500 million in bond purchases. Furthermore, there were also reports that The Qatari Government is looking to invest USD10 billion in various projects in Egypt. EFG Hermes (+30%), TMG Group (+30%) and Ezz Steel (+23%) were among the top gainers in the Egyptian market. The rally in Saudi cement companies enabled the Saudi market to end positive despite declines in financials and petrochemicals whereas Oman and UAE declined by 4-5%. Declines in Oman were led by Renaissance (-20%). Financials and construction companies contributed to the declines in UAE.

Egyptian financials rallied in May, with EFG Hermes, Commercial International Bank and Credit Agricole being among the top gainers increasing by 30%, 16% and 7% respectively. During the month we partly capitalized on the rally to exit our exposure in Egypt. Going forward, we intend to have limited exposure to Egypt in the fund as we are concerned by the potential delinquencies in the Egyptian Banking sector. Furthermore, we are also worried by the currency risk posed by the Egyptian market due to the dwindling foreign currency reserves in the country.

Your fund declined by 2.6% during the month compared to a 1.0% decline in the S&P Pan Arab Financial Index. Fund's relative underperformance compared to the index was primarily due to its underweight position in Egypt which rallied during the month. Year to date, the fund is down by 1.9% while the S&P Pan Arab Financial Index is down by 6.2%. We expect regional markets to consolidate over the upcoming summer season when activity levels are likely to decline. During this period we intend to position our portfolio defensively.

## 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
May 2011	-2.6	-1.0
YTD 2011 (Jan-May)	-1.9	-6.2
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	4.1	2.1
Last 6 months	1.5	-2.2
Last 1 year	14.3	3.7
Last 3 years	-14.1	-44.8
Since Inception (Aug 07- May 11)	19.3	-28.2

## 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

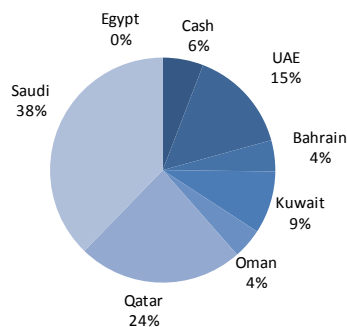
## Top Holdings

Name	Country	(%)
AL Rajhi Bank	Saudi	7.0
Bank Saudi Fransi	Saudi	6.1
Qatar National Bank	Qatar	6.1

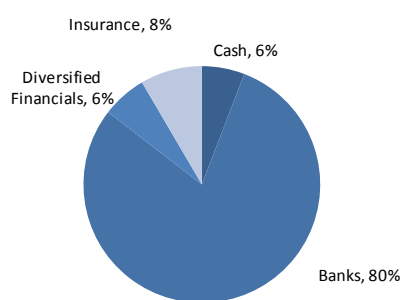
## Risk Statistics

Annualised Standard Deviation %	19.1
Sharpe Ratio	0.09
Tracking Error	10.9
Information Ratio	1.23
Beta	0.7

## Country Allocation



## Sector Allocation



## Fund Statistics

	Fund	Index
Price Earnings Multiple TTM (x)	12.6	13.0
Price to Book Multiple Latest (x)	1.8	1.4
Dividend Yield 2010 (%)	3.3	2.2
Number of Holdings	26	143
Annualized Return (%)	4.7	-8.5
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	59	43
Maximum Drawdown- Peak to Trough (%)	46	-60.0
Length of Drawdown (months)	9	12
Recovery from recent trough (%)	62	29.0

Performance is no indication of future results. Fund historical performance does not promise the same or similar results in the future. Information contained herein has been compiled from sources believed to be reliable, however Securities & Investment Company ("SICO") is not responsible for the accuracy or completeness of the information as of the date of this report and are subject to change without notice. This report is not a solicitation of an order to buy or sell securities or to open long or short positions in the securities mentioned herein. SICO or its affiliates may act as principal, agent or market maker or provide other services and may not be copied or distributed to any other person without the prior written consent of SICO.