

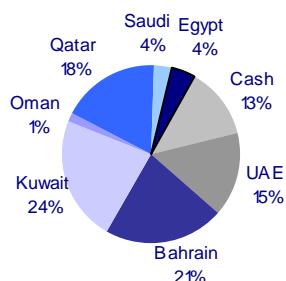
Manager's Commentary

All GCC markets except Saudi Arabia (-5.6%) and Dubai (-1%) appreciated during the month. The decrease in price of financials mainly contributed to the negative performance of both Saudi Arabia and Dubai. Further, high inflation and uncertainty surrounding the macroeconomic policies of the government continued to impact the performance of the Egyptian market. Egyptian index decreased by 6.7% during the month. In contrast, Qatari and Omani markets continued their upward momentum and were up by 5.3% and 3.1% respectively.

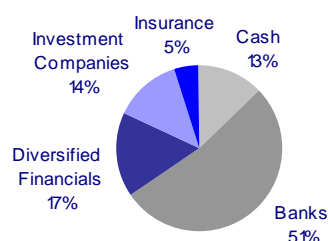
Volatility in the share price of Saudi based financials was prompted by varying sell side opinions on its prospects for earnings growth. Ultimately, Samba financial Group, Saudi British Bank and Al Rajhi Bank, declined by 17%, 18% and 9% respectively. Persistent uncertainty surrounding the actions of The Central Bank of Kuwait to curb retail lending negatively impacted Commercial banks in Kuwait. Gulf Bank (-8%), Commercial Bank of Kuwait (-4%) and Burgan bank (-2%) were amongst the biggest losers. The financials in Qatar continued to benefit from upward momentum of the Qatari stock market. Qatar Islamic bank (+18%), Doha Bank (+13%) and Qatar National Bank (+9%) were amongst the biggest gainers.

The NAV of SICO Arab Financial Fund (SAFF) was up by 2.0% in May while the S&P Financial Index declined by 1.4%. Our investments in Bahrain & Qatar based financials contributed to the growth. Qatar Insurance (+20%), Qatar Islamic Bank (+18%) and Al Khaleej Development (+13%) were among the biggest contributors to our fund. While the significant increase in share price induced us to book profits in Qatari financials, we refrained from hastily increasing our stakes in financials based in Kuwait and Saudi Arabia due to uncertainty surrounding its future earnings growth potential. This resulted in an increase in cash balance from 5% to 13% for the month of May. We intend to opportunistically invest these funds in markets such as Egypt, where the steep decline in share price has rendered many fundamentally sound financials attractive.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	11.3
Price to Book Multiple 2008 (x)	2.7
Dividend Yield 2007 (%)	3.3
Number of Holdings	36
Annualized Return (%)	48.4
Largest Monthly Gain (%)	8.4 (Dec-07)
Largest Monthly Loss (%)	NA
% of Positive Months	100
Maximum Drawdown- Peak to Trough (%)	NA
Length of Drawdown (months)	NA
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
May 2008	2.0%	-1.4%
Year to Date 2008	15.1%	1.7%
Last 3 months	7.3%	-1.6%
Last 6 months	24.8%	13.6%
2007 (Aug'07-Dec 07)	20.7%	31.5%
Since Inception (Aug'07-March 08)	38.9%	33.8%

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	5.8
KIPCO	Kuwait	5.5
Ithmaar Bank	Bahrain	5.4

Risk Statistics

Annualised Standard Deviation	NA
Sharpe Ratio	NA
Information Ratio	NA
Beta	NA
Alpha (%)	NA

For further information please contact:
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بنك استثماري sico
Investment Bank