

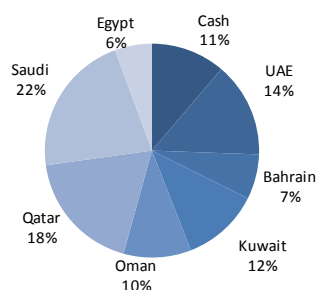
Manager's Commentary

May was a turbulent month, and financial markets experienced steep losses. Investor panic was initially triggered by concern on the sovereign debt of Greece and was subsequently exacerbated by speculation over the slowdown in the Chinese economy. During this period, the price of oil plunged dragging all regional markets with it. MSCI Arabian Index dipped by 11% during the month. Egypt (-12.1%), Saudi Arabia (-10.9%) and Qatar (-10.1%) led the declines. Commodity related companies such as Egyptian Iron and Steel Company (-30%), Sidi Kerir (-23%) and Ezz Steel (20%) were significantly impacted in Egypt. In Saudi Arabia, most petrochemicals decreased by 15-25%. Abu Dhabi (-6.2%), Oman (-7.8%) and Kuwait (-8.2%) performed relatively better than the rest of the markets.

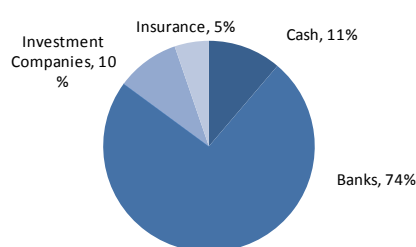
During the month, financials in Saudi Arabia outperformed their regional peers declining in the range of 5-15% whereas other regional financials dropped by 10%-15%. Financials in Qatar and UAE were particularly impacted due to outflow of foreign funds. In UAE, National Bank of Abu Dhabi was down by 15% and First Gulf Bank fell by 16%, while in Qatar, Commercial Bank of Qatar (-15%) and Doha Bank (-13%) were among the biggest decliners. Bahrain based Gulf Finance House was the worst performing regional financial declining by as much as 35% during the month. The redundancy of its business model and uncertainty surrounding its ability to service its loans continued to adversely impact the share price of the company.

The NAV of SICO Arab Financial Fund (SAFF) was down 8.1% for the month and is up 7.5% for the year. On the other hand, S&P GCC Financial Index was down by 8.8% for the month and is down 1.5% for the year. The fund benefited from our strategy to increase cash in April. At the same time, the fund was negatively impacted by steep declines in financials based in Egypt and Qatar. Going forward, we intend to capitalize on the recent market correction by gradually deploying our cash in financials particularly in Saudi Arabia.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM (x)	11.4
Price to Book Multiple(x)	1.8
Dividend Yield 2009 (%)	2.4
Number of Holdings	30
Annualized Return (%)	1.5
Largest Monthly Gain (%)	10.0(Apr-08)
Largest Monthly Loss (%)	-16.4(Oct-08)
% of Positive Months	56
Maximum Drawdown- Peak to Trough (%)	46
Length of Drawdown (months)	9
Recovery from recent trough (%)	40

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
May 2010	-8.1	-8.8
YTD 2010 (Jan - May)	7.5	-1.5
2009	14.8	3.4
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Aug 07- May10)	4.4	-37.6
Last 3 months	0.7	-5.2
Last 6 months	-0.5	-5.9
Last 1 year	10.2	-5.8
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	(%)
Banque Saudi Fransi	Saudi Arabia	5.1
Qatar National Bank	Qatar	5.0
National Bank of Abu Dhabi	UAE	4.3

Risk Statistics

Annualised Standard Deviation %	21.4
Sharpe Ratio	na
Information Ratio	1.3
Beta	0.7
Alpha (%)	10.2

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