

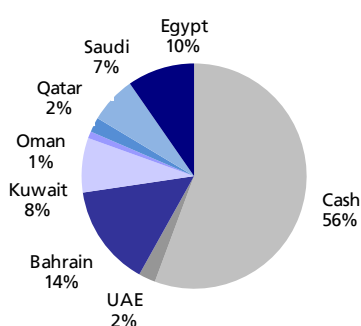
## Manager's Commentary

The global and regional equity markets continued their descent in November as the macro environment soured further with news abounding of job losses and declining oil prices. These negative developments reinforced investor worries that some of the major economies maybe sliding deeper into recession. On the home front, lack of clarity regarding the Amlak-Tamweel merger and Dubai's outstanding debt obligations fuelled concerns and speculation. Resultantly, Dubai (-33%) and Abu Dhabi (-17%) were the worst performers. Other GCC markets such as Saudi, Bahrain and Qatar lost 12-13% of their market value. While Kuwait and Egypt declined by 9% and 7% respectively.

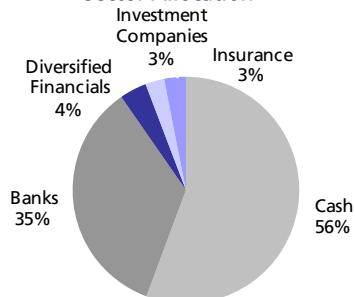
With confidence waning fast in the real estate sector, there is concern regarding the implications for the financial sector. Loan book exposure to real estate and direct investment in properties may hurt balance sheet growth. Although the regional central banks have eased their monetary policy, credit conditions remain tight as banks adopt more conservative lending policies. Further, The drastic drop in oil prices from US\$140-150 to less than US\$50 at present; lower than the GCC budget breakeven oil price levels might also impact public spending. Barring a recovery in the oil prices, fiscal and current account surpluses cannot be sustained and may restrict the regional economic growth to 3%-4% vs. 2008 levels of 6%-7%.

The NAV of SICO Arab Financial Fund (SAFF) declined by 5.2% in November while the S&P Financial Index dropped by 13.9%. As market conditions were extremely volatile during the month, we continued to accumulate cash in an effort to stem losses. In this process, we exited most of our UAE holdings. Moving forward, we believe interest rate cuts have not bottomed out yet while further government intervention is anticipated in the form capital injection to boost liquidity into the equity markets. These measures may provide some short term triggers although we feel markets lack any clear direction and as such we remain cautiously optimistic regarding the long term prospects of the regional markets.

### Country Allocation



### Sector Allocation



### Fund Statistics

Price Earnings Multiple 2008 (x)	9.8
Price to Book Multiple(x)	1.1
Dividend Yield 2007 (%)	5.3
Number of Holdings	22
Annualized Return (%)	-9.3
Largest Monthly Gain (%)	8.4 (Dec-07)
Largest Monthly Loss (%)	16.4
% of Positive Months	56
Maximum Drawdown- Peak to Trough (%)	36.9
Length of Drawdown (months)	6
Time to Recovery (months)	NA

## 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
November 2008	-5.2	-13.9
Year to Date (Jan-Nov 2008)	-27.3	-49.0
Last 3 months	-31.7	-41.8
Last 6 months	-36.9	-47.3
Last 12 months	-21.2	-43.0
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Aug 07- Nov 08)	-12.3	-32.9

## 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	HSBC Middle East

## Top Holdings

Name	Country	(%)
Burgan Bank	Kuwait	4.7
Commercial International Bank	Egypt	4.1
Al Rajhi Bank	Saudi	3.7

## Risk Statistics

Annualised Standard Deviation	23.5
Sharpe Ratio	NA
Information Ratio	0.8
Beta	0.7
Alpha (%)	4.4

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