

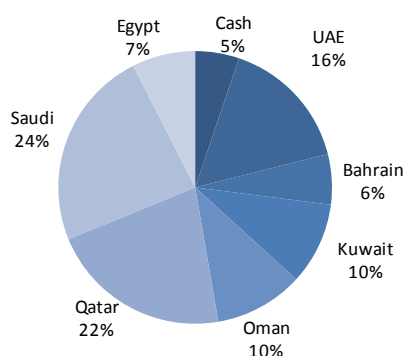
### Manager's Commentary

Regional markets continued its uptrend in October (MSCI Arabian Markets Index was up by 0.9%). Abu Dhabi (+5.3%) and Dubai (+4.8%) were the best performing markets during the month. With gains in Abu Dhabi driven by large cap companies such as Etisalat (6%) and First Gulf Bank (19%) while gains in Dubai were led by ENBD (15.3%) and Arabtec (11.4%). Kuwait, Qatar and Bahrain increased by 1.0%-1.5%. During the month, Saudi Arabia declined by 0.6%, partially negating the gains reported in the rest of the markets. These declines were driven by financials and infrastructure related companies such as Al Babbtain Power (-11.8%), Arabian Pipes (-10.3%) and Saudi Cables (-16%).

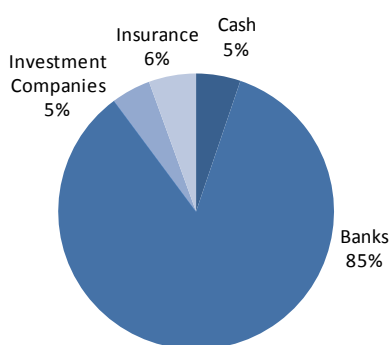
Saudi based financials experienced declines in their share price during the month on the back of lower than expected 3<sup>rd</sup> quarter earnings. This fall in earnings was mainly due to the banks booking higher than expected loan loss provisions for the 3<sup>rd</sup> quarter. The share price of Arab National Bank (-11.5%), Saudi British Bank (-9.7%) and Riyadh Bank (-6.5%) experienced significant declines during the month. However, the negative impact on the in share prices of financials such as Al Rajhi Bank (-1.9%), Alinma Bank (-2.2%) and Saudi Fransi (-2.3%) were relatively muted. Financials in Qatar posted increase in profits due to healthy loan growth and lower provisions.

The NAV of SICO Arab Financial Fund (SAFF) increased by 0.6% for the month and is up by 20.1% for the year. On the other hand, S&P GCC Financial Index was down by -0.4% for the month and is up by 7.5% for the year. The fund benefited from its exposure to financials in Abu Dhabi and further, the funds relative performance also benefited from our stock selection in Saudi Arabia. Our cash balance remained at 5% during the month.

### Country Allocation



### Sector Allocation



### Fund Statistics

Price Earnings Multiple TTM	12.4
Price to Book Multiple (latest x)	1.7
Dividend Yield 2009 (%)	3.0
Number of Holdings	31
Annualized Return (%)	5.0
Largest Monthly Gain (%)	10.0(Apr-08)
Largest Monthly Loss (%)	-16.4(Oct-08)
% of Positive Months	61
Maximum Drawdown- Peak to Trough (%)	46
Length of Drawdown (months)	9
Recovery from recent trough (%)	56

### 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
Oct 2010	0.6	-0.4
YTD 2010 (Jan -Oct)	20.1	7.5
2009	14.8	3.4
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Last 3 months	8.5	5.6
Last 6 months	2.6	-0.5
Last 1 year	10.3	-0.3
Last 3 years	7.8	-41.3
Since Inception (Aug 07- Oct10)	16.6	-32.0

### Fund Information

Launch Date	August 2007
Management Fee	1.5%
Performance Fee	10% over 10% pa
Subscription & Redemption	Weekly
Subscription Deadline	Two Business days before month end
Redemption Deadline	Two Business days before month end
Minimum Subscription	US\$100,000
Reuters Code	LP65077627
Zawya Code	SICOAFF.MF
Fund ISIN Code	BH000A1CZ8Q9
Custodian/ Administration	HSBC Middle East

### Top Holdings

Name	Country	(%)
National Bank of Abu Dhabi	UAE	5.3
Bank Saudi Fransi	Saudi	5.2
NBK	Kuwait	5.1

### Risk Statistics

Annualised Standard Deviation %	20.3
Sharpe Ratio	0.1
Information Ratio	1.3
Beta	0.7
Alpha (%)	12

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