

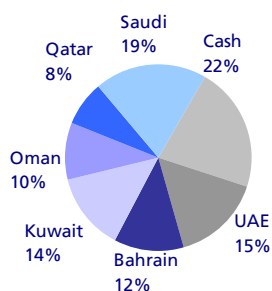
Manager's Commentary

Amidst a vibrant third quarter earnings season and strong foreign buying interest, all GCC markets closed on a positive note, save for Kuwait. The highest gains were recorded in the UAE. Dubai turned around its negative performance and posted a solid increase of 24.7%, while Abu Dhabi gained 20.1%. This positive trend was also visible in the Qatari and Omani markets which appreciated by 16.3% and 14.8% respectively. Also the Saudi bourse climbed up 10.1%, while Bahrain appreciated by 4.1%. In general, the financial and real estate sectors led the markets. The correction in the Kuwaiti market (0.6%) can be alluded to political rifts and sell-offs, as investors' had factored in most third quarter earnings and resorted to pocketing gains.

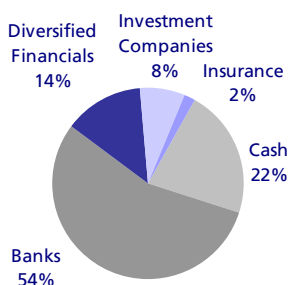
The NAV of SICO Arab Financial Fund (SAFF) was up by 6.7% during October. Despite, the relative youth of the fund, monthly performance was reasonable. Our equity investments in the UAE such as Tamweel (+41%), First Gulf Bank (+36%) and Abu Dhabi Islamic Bank (+27%) drove the fund's performance. Dubai-based mortgage lender, Tamweel, announced a 147% increase in net profits of Dh244 million for the first nine months of 2007 compared to last year. The company recently landed a long-term partnership with Dubai World Central (DWC), a huge 140 square kilometre urban aviation project, to provide home finance options to DWC's customers. In Qatar, Al Rayan Bank traded up 25% on news of robust growth. Total assets more than doubled to reach QR9.42bn compared to QR4.32bn at the end of last year, a growth of 118%. The bank has been pursuing diversified investment opportunities and recently got approval to raise the ceiling on foreign investment in its stock from 39% to 49%.

During the month, we bought equities in the Saudi market after restrictions for investing in the banking and financial sectors were lifted for GCC nationals. Furthermore, we built a position in Oasis International Leasing to tap into the growing airline leasing business. Our rigorous investment strategy resulted in a significant drop in the cash allocation to 22% from 49% in September. We will be deploying more cash in selected equities, once the third quarter earning announcements are concluded, and the fog clears up on the true impact of the US sub-prime crisis on the regional financial sector.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2007 (x)	11.9
Dividend Yield 2006 (%)	2.9
Number of Holdings	49
Annualized Return (%)	26.7
Largest Monthly Gain (%)	6.7 (Oct 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

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
October 2007	6.7
Since inception	8.2

Fund Information

Launch Date	August 7, 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	<SICO>
Fund Listing	Bahrain Stock Exchange
Custodian	Gulf Clearing Company

Top Holdings

Name	Country	(%)
Bank Al Jazira	Saudi	2.8
Gulf Finance House	Bahrain	2.7
Saudi Investment Bank	Saudi	2.7
Global Investment House	Kuwait	2.5
Bank Muscat	Oman	2.4

Risk Statistics

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

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بنك استثماري sico
Investment Bank

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