

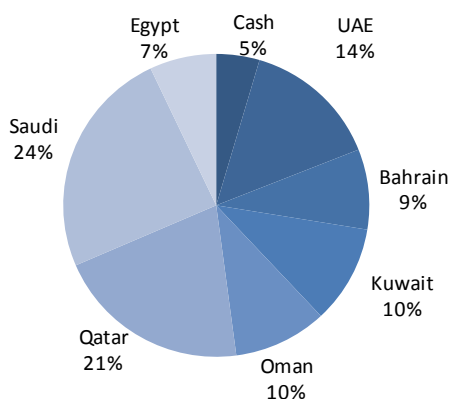
Manager's Commentary

Regional markets rallied in September in line with strong gains reported in international exchanges. MSCI Arabian market index increased by 6% led by Dubai (+ 13.5%), Abu Dhabi (+7.0%) and Qatar (+6.5%). The gains in Dubai were led by companies such as Arabtec (+23.1%), Aramex (+27.9%) and Emaar (+14.4%). Gains in Qatar and Abu Dhabi were driven by financial and real-estate related stocks. Rest of the markets apart from Bahrain (+1.8%) were up by 3%-4%. Bahraini market was impacted by declines in Gulf Finance House (-13.9%) and Bahrain Islamic Bank (-8.2%).

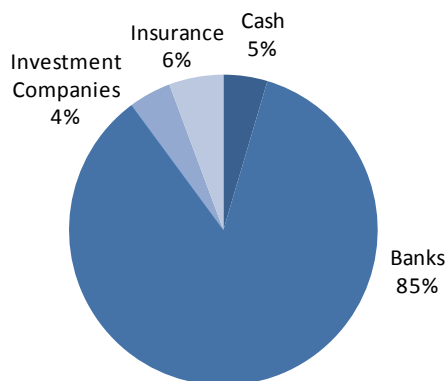
Financials particularly in UAE and Qatar provided impetus for the market rebound in September. Rally in Qatari financials were fuelled by central bank data which showed buoyant loan growth driven by lending to public sector, Doha Bank (+14.7%), Commercial Bank of Qatar (+12.7) and Qatar National Bank (8.4%) were the biggest gainers during the month. Financials in UAE benefited from increase in risk appetite among investors and as a consequence, financials with relatively risky loan portfolios such as Abu Dhabi Commercial Bank (+34.7%), Dubai Islamic Bank (+22.5%) and Emirates NBD (+18.1%) were among the top gainers.

The NAV of SICO Arab Financial Fund (SAFF) increased by 5.9% for the month and is up by 19.3% for the year. On the other hand, S&P GCC Financial Index increased by 5.6% for the month and is up by 8.0% for the year. Your fund benefited from its relatively high exposure to Qatari Banks. We expect financials to report significant improvement in earnings in the second half of 2010 compared to second half of 2009. Hence, we continue to be bullish on regional financials for the rest of 2010.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple TTM	13.5
Price to Book Multiple (latest x)	1.6
Dividend Yield 2009 (%)	3.0
Number of Holdings	32
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 (%)	55

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
Sep 2010	5.9	5.6
YTD 2010 (Jan -Sep)	19.3	8.0
2009	14.8	3.4
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Last 3 months	11.0	10.4
Last 6 months	5.2	-1.6
Last 1 year	8.4	-3.4
Last 3 years	14.3	-35.3
Since Inception (Aug 07- Sep10)	15.9	-31.7

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 Code	BH000A1CZ8Q9
Custodian/ Administration	HSBC Middle East

Top Holdings

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

Risk Statistics

Annualised Standard Deviation %	20.5
Sharpe Ratio	nm
Information Ratio	1.3
Beta	0.7
Alpha (%)	11.4

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