

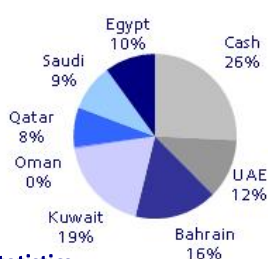
Manager's Commentary

All GCC markets continued to experience steep declines on the back of the global market turmoil. Subsequent to the collapse of Lehman Brothers, a fresh wave of fear and anxiety engulfed the international capital markets. This resulted in an unprecedented worldwide selloff of shares. Despite its relatively strong fundamentals, the region was not immune to this global turbulence. Saudi Arabia, Egypt and Dubai were among the worst performers in the region, declining by 14.8%, 14.6%, and 13.8% respectively. Abu Dhabi, Kuwait and Qatar dipped in the range of 10%-11% while Bahrain declined by 8.5%.

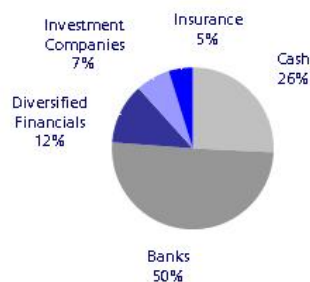
Financials across the region suffered steep decline in prices in line with the rest of the markets. First Gulf Bank (-30.5%), Bank Al Jazira (-21%) and Doha Bank (-21.5%) were among the biggest decliners during the month. While the apprehensions over the sustainability of the real-estate related income of First Gulf Bank may have contributed to the dip in its share price, the declines in Al Jazira Bank and Doha Bank may be attributable to the worries over the probable decrease in income from their investment portfolio. In general, regional investors were anxious about the possibility of the global liquidity crisis creeping into the regional financial sector. Though we can understand the investors' fears, we believe the regional banks are sufficiently liquid and well capitalized compared to their global peers. Hence, we feel the financials in the region are in a relative better shape to weather the current credit turmoil.

The SICO Arab Financial Fund (SAFF) was down by 13.7% in August and is down 8.2% for the year. On the other hand, the S&P GCC Financial Index declined by 12.4% for the month and is down 23.2% for the year. Our fund was impacted by declines in financials across the board, particularly in the UAE and Egypt. During the month, in order to mitigate the down turn in share price, we increased our cash allocation from 12% to 25%. We expect the current volatile equity market conditions to prevail in the near term; however, we strongly believe the steep market correction would present a good investment opportunity to an astute investor with a long term investment horizon to gain exposure to regional markets.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	10.1
Price to Book Multiple 2008 (x)	1.8
Dividend Yield 2007 (%)	4.2
Number of Holdings	36
Annualized Return (%)	9.2
Largest Monthly Gain (%)	8.4 (Dec-07)
Largest Monthly Loss (%)	13.7 (Sep 08)
% of Positive Months	64
Maximum Drawdown- Peak to Trough (%)	19.6
Length of Drawdown (months)	4
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
September 2008	-13.7	-12.4
Year to Date 2008	-8.2	-23.2
Last 3 months	-19.6	-19.9
Last 6 months	-14.3	-18.7
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Aug 07- Sep 08)	10.8	1.0

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	(%)
EFG - Hermes	Egypt	3.9
Gulf Finance House	Bahrain	3.3
Commercial International Bank	Egypt	3.3

Risk Statistics

Annualised Standard Deviation	18.8
Sharpe Ratio	0.2
Information Ratio	0.5
Beta	0.5
Alpha (%)	6.1

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 Investment Bank

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