

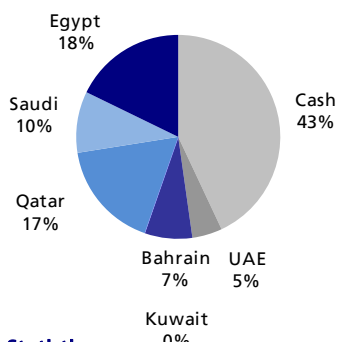
### Manager's Commentary

June was a tale of two halves for the regional markets. The MSCI Arabian market index increased by 6% in the first two weeks, however it declined by as much as 8% in the latter two weeks. Overall, MSCI Arabian market index was down 2% for the month, Qatar (-7%), Saudi Arabia (-5%) and Dubai (-5%) posted the biggest declines. The Qatari and Saudi markets were pulled down by petrochemicals and financials while Dubai was impacted by the decline in its real-estate related stocks. Oman (2%) was the only market to be up for the month. The market benefited from the rally in selected financials and industrial stocks.

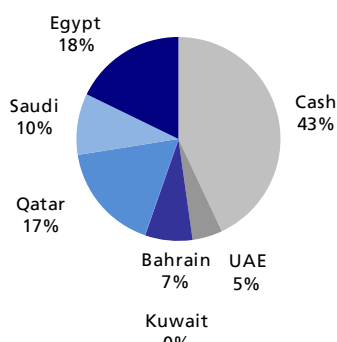
Financials in the region continued to be overshadowed by the uncertainty surrounding the Saad/ Gosaibi affair. During the month, Saudi based financials bore the brunt of the declines, Saudi Investment Bank (-19%), SAMBA (-15%) and Arab National Bank (-11%) were among the biggest decliners. Other financials that experienced declines as a consequence of the rumoured exposure to the trouble Saudi entities include CBQ (-17%), Abu Dhabi Islamic Bank (-15%) and Abu Dhabi Commercial Bank (-5%). On the other hand, Egyptian financials such as Credit Agricole (35%), Export Development Bank (34%) and Commercial International Bank (5%) managed to buck the regional trend.

The SICO Arab Financial Fund (SAFF) was down 0.7% in June and is up 11.2% for the year. On the other hand, S&P GCC Financial Index was down by 5.1% for the month and is up 2.6% for the year. Your fund benefited from our strategy to significantly reduce the fund's exposure to Saudi based financials due to expensive valuation multiples and concerns over potential credit losses. We expect the share price of the regional financials to further consolidate during the upcoming earning season; this should enable us to opportunistically invest our cash in stocks we believe are fundamentally sound and are trading at attractive valuation multiples.

### Country Allocation



### Sector Allocation



### Fund Statistics

Price Earnings Multiple 2008 (x)	10.5
Price to Book Multiple(x)	1.4
Dividend Yield 2008 (%)	3.4
Number of Holdings	20
Annualized Return (%)	-3.1
Largest Monthly Gain (%)	10.0(Apr-08)
Largest Monthly Loss (%)	-16.4(Oct-08)
% of Positive Months	52%
Maximum Drawdown- Peak to Trough (%)	46
Length of Drawdown (months)	9
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 GCC Financial
June 2009	-0.7	-5.1
YTD 2009 (Jan - June)	11.2	2.6
Last 3 months	16.8	15.5
Last 6 months	11.2	2.6
Last 1 year	-31.7	-50.2
Last 3 years	n/a	n/a
Last 5 years	n/a	n/a
2008	-29.9	-53.4
2007 (Aug'07-Dec 07)	20.7	31.5
Since Inception (Aug 07- June 09)	-5.9	-37.2

### 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	(%)
Credit Agricole	Egypt	6.3
CIB	Egypt	4.2
QIB	Qatar	4.1

### Risk Statistics

Annualised Standard Deviation %	-23.1
Sharpe Ratio	-0.4
Information Ratio	1.2
Beta	0.6
Alpha (%)	9.0

For further information please contact:  
[assetmanagement@sicobahrain.com](mailto:assetmanagement@sicobahrain.com)

Securities & Investment Company BSC (c)  
P.O. Box 1331, Manama, Kingdom of Bahrain  
Tel: +973 1751 5000 Fax: +973 1751 4000  
CR No: 33469

شركة الأوراق المالية والاستثمار ش.م.ب (م)  
ص.ب: 1331، المنامة، مملكة البحرين  
هاتف: +973 1751 5000 فاكس: +973 1751 4000  
سجل تجاري رقم 33469

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