

SICO Gulf Equity Fund

Fact Sheet - September 30, 2008

NAV US\$114.71 ↓14.3%

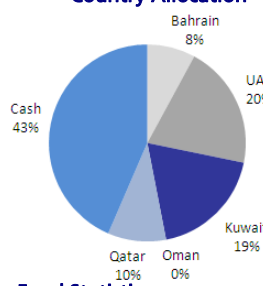
Manager's Commentary

The world stock markets continued to slide in September as the ongoing credit crisis unleashed its fury on the financial sector. Governments in the developed economies rushed to the rescue of highly reputable banks, mortgage and insurance companies. These extraordinary events intensified investor fears regarding the global financial and economic outlook. Accordingly, panic selling was rife in the global markets as investors shunned equity investments for cash. Investors in the GCC markets also exhibited herding behaviour resulting in losses of 10-15% in most markets. More profound losses were seen in Saudi and Dubai which lost 15% and 13% respectively.

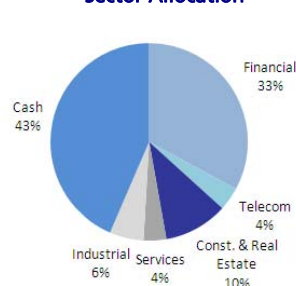
Although we believe the GCC stocks had minimal direct exposure to the subprime mortgages, the regional markets slumped under the weight of the broader impact of the credit crisis. Further, escalated concerns regarding tightening of liquidity and its implications for the financial and real estate sector also undermined the performance of the markets. Liquidity shortages resulted from the outflow of funds speculating on currency reform. Despite efforts by the UAE Central Bank to infuse liquidity into the markets and expected interest rates cuts in the global and regional markets, investors remained sceptical.

Amidst the sharp declines in the GCC markets, the NAV of SICO Gulf Equity Fund decreased by 14.3% in September compared to a 12.8% drop in the MSCI GCC ex Saudi index. Given extremely volatility, we tried to minimize losses by increasing our cash allocation substantially. Towards the end of the month we also invested in some selective stocks that we believe may weather the current downturn. It is noteworthy that despite challenging market conditions, our fund managed to contain losses (-9.9%) better than the benchmark index (-20.2%) on a year to date basis. At this time, we are carefully evaluating our fund strategy. In our opinion, the recent sharp declines have been materially overextended and do not reflect the true fundamentals of the region. According to IMF the GCC economies, underpinned by the non-oil sector growth, are expected to grow at healthy rates. Additionally despite recent declines, oil prices are still well above the budgeted breakeven levels, the regional financial system remains stable and market valuations have reached their historic lows. The fundamental story therefore, remains intact. Bearing these factors in mind, we believe the current crisis presents an opportunity to stock pickers and investors who have a long term investment horizon.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	8.2
Price to Book Multiple Latest (x)	2.1
Dividend Yield 2007 (%)	4.2
Number of Holdings	24
Annualized Return (%)	12.4
Largest Monthly Gain (%)	8.4 (Dec 07)
Largest Monthly Loss (%)	-14.3 (Sep 08)
% of Positive Months	58
Maximum Drawdown- Peak to Trough (%)	-24.5
Length of Drawdown (months)	4
Time to Recovery (months)	n/a

Investment Objective

The Fund seeks to achieve long-term capital appreciation by investing principally in equity securities listed on the stock markets of the GCC countries excluding Saudi Arabia.

Fund Returns (%)

	Fund	MSCI GCC Ex Saudi Index
September 2008	-14.3	-12.8
YTD (Jan 08 - Sep 08)	-9.9	-20.2
Last 3 months	-24.0	-21.4
Last 6 months	-16.8	-18.1
Last 12 months	2.6	-14.1
2007	37.2	35.4
2006 (Mar - Dec)	-7.2	-18.8
Since Inception (Mar 06 - Sep 08)	14.7	-12.2

Top Holdings

Name	Country	(%)
Burgan Bank	Kuwait	4.0
Emaar Properties	UAE	3.9
Qatar Telecom	Qatar	3.8

Fund Information

Launch Date	March, 2006
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	LP65038264
Zawya Code	SICOGF.MF
Fund Listing	Bahrain Stock Exchange
Custodian/ Administrator	HSBC Middle East, Bahrain
Auditors	Price Waterhouse Coopers

Risk Statistics

Annualised Standard Deviation	18.5
Sharpe Ratio	0.02
Information Ratio	1.26
Beta	0.81
Alpha (%)	8.48

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بنك استثماري sico
Investment Bank

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