

Manager's Commentary

Despite a lackluster start to the year, the local bourse rebounded strongly in May to close the month at +9.7%- the highest monthly gain in over 2 years. This brings YTD returns to +4.2%.

During May, the NAV of the SICO Selected Securities Fund rose 10.7% - the highest monthly close since the fund's inception in 1998. The growth in returns was led by the financial sector which posted strong gains through the likes of Ahli United Bank (+26.2%), BankMuscat (+15.8%) and Bahrain Saudi Bank (+25.0%). The services sector was the second best performer with gains coming from Batelco (+20.9%). The fund outperformed the benchmark owing to its large allocation to these strong-performers.

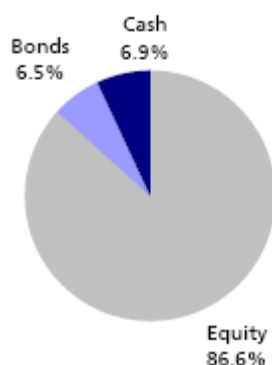
Amongst the increasing M&A activity being seen in the region, AUB has been in the spotlight due to its attractive fundamentals and talk of an overseas investor looking to buy a controlling stake in the bank. Local Investment banks have also seen strong buying interest through the likes of GFH (+16.7%) and Ithmar Bank (10.9%). Among the reasons for this was Ithmar Bank's announcement of an island residence mega-project and GFH's eagerly awaited UK listing.

Decent first quarter earning announcements have formed the backbone of what could be a recovery in the local bourse. Going forward, we expect limited downside from these levels as the market is trading at a forward P/E multiple of 9.2x, making it among the cheapest in the region.

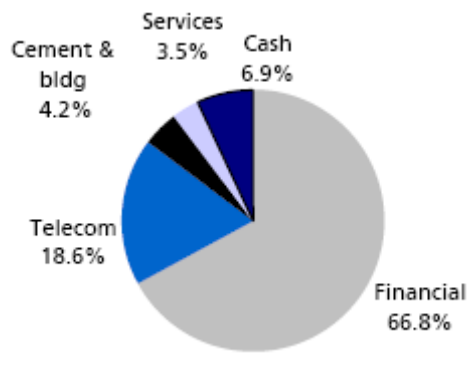
Fund Statistics

Price Earnings Multiple 2007 (x)	10.9
Dividend Yield 2006 (%)	5.0
Number of Holdings	19
Annualized Return (%)	11.1
Largest Monthly Gain (%)	10.7
Largest Monthly Loss (%)	-5.3
% of Positive Months	63.9
Annualized Standard Deviation (%)	9.0
Sharpe Ratio	0.68
Maximum Drawdown (%)	NA

Asset Allocation



Sector Allocation



Investment Objective

SICO Selected Securities Fund invests principally in equity and debt securities listed or expected to be listed on the Bahrain Stock Exchange (BSE).

Returns	Fund (%)	Bahrain Index (%)
May 2007	10.7	9.7
Year to Date 2007	9.0	4.2
Last 3 months	11.0	7.8
Last 6 months	11.7	6.0
Last 12 month	16.2	14.1
2006	-0.5	1.0
2005	16.8	23.8
2004	35.5	32.7
2003	28.8	28.5
2002	12.3	3.4
2001	11.8	-2.5
Since Inception	158.7	83.0

Fund Inception was in May 1998

Top Holdings

Name	Sector	(%)
Ahli United Bank	Financial	24.8
Batelco	Telecom	18.9
Gulf Finance House	Financial	14.0

Fund Information

Launch Date	May 27, 1998
Management Fee	1.0%
Performance Fee	20% over 10% pa
Subscription & Redemption	Monthly
Subscription Deadline	Two Business days before month end
Redemption Deadline	Ten Business days before month end
Minimum Subscription	1,000 units
Reuters Code	<SSSF>
Fund Listing	Bahrain Stock Exchange
Custodian	Gulf Clearing Company

Management Team

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