

Manager's Commentary

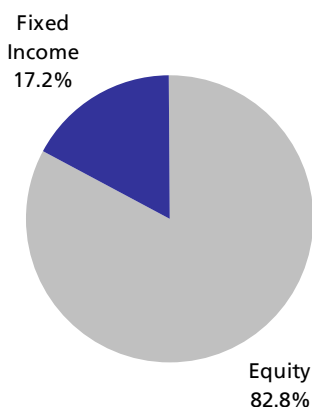
After several months of strong performance, the Bahraini market went through a correction phase in August and dropped by 1.6%. Even after this decline, the market is up 14.0% on a year to date basis.

The SICO Selected Securities Fund's NAV fell by 0.6% mainly due to a sharp decline in Ahli United Bank's (AUB) share price after the failure of its take over by International Bank of Qatar (IBQ). Note that AUB's price had surged quite sharply over the past few months in anticipation of its take over. We took advantage of this upsurge and carried out some profit taking in AUB at higher levels. Despite this, AUB still remains our largest holding and affected our performance during the month of August.

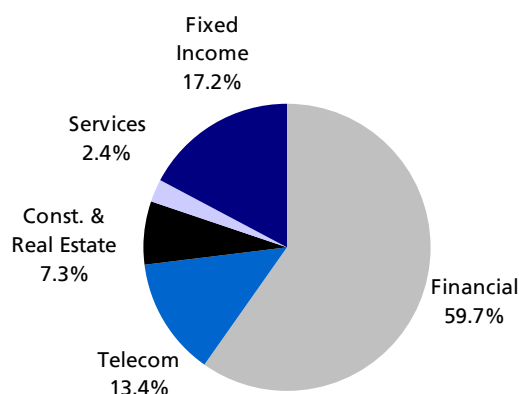
Al Khaleej Development (+21.3%) was our star performer after a long lull. The stock also trades in Kuwait and has recently caught the eye of arbitrageurs. Al Khaleej Development is a property development company with several large projects in Bahrain like the Bahrain Investment Wharf. The highly undervalued Bahrain Islamic Bank (BISB) (+7.1%) continued to do well. BISB is currently going through a rights issue which will raise its capital by BD85m. The money raised through the rights will be used to fund the regional expansions of the bank. Ithmaar Bank (+7.8%) also stepped into the spotlight as it announced very strong earnings growth.

The market as a whole was led by the disappointment in AUB, even though a vast majority of the companies returned positive performances. The prices of these companies continue to slowly, but surely, catch up to reflect their true values.

Asset Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2007 (x)	9.0
Dividend Yield 2006 (%)	4.6
Number of Holdings	19
Annualized Return (%)	11.7
Largest Monthly Gain (%)	10.7
Largest Monthly Loss (%)	-5.3
% of Positive Months	64.0
Maximum Drawdown- Peak to Trough (%)	10.4
Length of Drawdown (months)	15
Time to Recovery (months)	10

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 (%)
August 2007	-0.6	-1.6
Year to Date 2007	17.2	14.0
Last 3 months	7.6	9.4
Last 6 months	19.4	17.9
Last 12 months	18.3	15.1
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	178.4	100.3

Fund Inception was in May 1998

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

Top Holdings

Name	Sector	(%)
Ahli United Bank	Financial	15.7
Batelco	Telecom	13.4
Gulf Finance House	Financial	12.2

Risk Statistics

Annualised Standard Deviation	9.5
Sharpe Ratio	0.71
Information Ratio	0.47
Beta	0.56
Alpha (%)	7.3

For further information please contact:
marketing@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
www.sico-bahrain.com

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

بنك استثماري sico
Investment Bank