

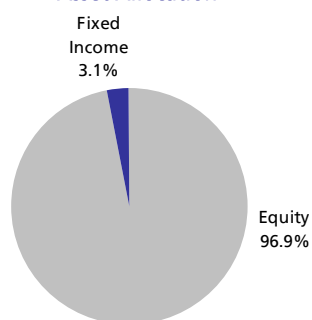
Manager's Commentary

The Bahraini Market, in line with its regional peers, performed well for the month of December, closing up 6.1%, taking its return for 2007 to a solid 24.2%.

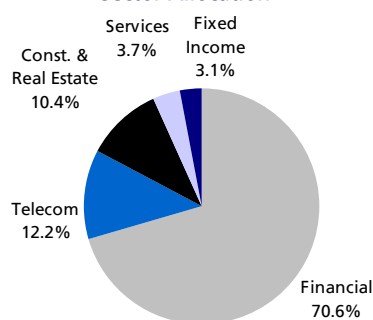
The SICO Selected Securities Fund NAV increased by 6.4% for the month of December, with significant positive contributions from all but two of our holdings. Gulf Finance House (GFH) (+19.6%) was a key contributor to the funds performance, followed closely by Bank of Bahrain and Kuwait (BBK) (+20.4%) and Al Salam Bank (+25.8%). The key driver of the market's performance has been profit growth expectations for FY2007. GFH announced several positive moves that will enhance its future growth and current year's net profit. GFH arranged the sale of a majority stake in the Bahrain Financial Harbour for \$425m to Emar Bahrain. The market took this very positively, as GFH's IRR on this investment was stated to be over 80% over a two year period. In addition, GFH announced the construction of a \$3bn project in Tunisia, the Tunis Financial Harbour. This will be North Africa's first offshore financial centre and is expected to be completed by 2010. With positive growth expectations for Tunisia as a whole, and GFH's previous success in such a project, we expect this to considerably positively impact future earnings. The key for GFH however has been the \$10bn record pact to develop an industrial park in India, in Maharashtra near Mumbai. This will help GFH significantly, tapping in further to the Indian growth and development story.

Even though 2007 concluded with a solid return of 24.2%, the Bahraini market has underperformed its peers. The case for convergence with its peers is even stronger now, with the Muscat Stock Market, the most relevant comparable market in terms of size and liquidity, closing up 61.9% for the year. The market retains an abundance of the cheapest, most attractively valued companies in the region, with high growth rates that will be reflected soon in the year-end results – a key trigger to move the market in the next few months.

Asset Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2007 (x)	10.0
Dividend Yield 2006 (%)	4.5
Number of Holdings	18
Annualized Return (%)	12.0
Largest Monthly Gain (%)	10.7
Largest Monthly Loss (%)	-5.3
% of Positive Months	64.9
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 (%)
December 2007	6.4	6.1
2007	31.4	24.2
Last 3 months	10.8	8.3
Last 6 months	16.9	14.4
Last 12 months	31.4	24.2
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	211.9	118.2

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	14.9
Gulf Finance House	Financial	13.8
Batelco	Telecom	12.2

Risk Statistics

Annualised Standard Deviation	9.5
Sharpe Ratio	0.80
Information Ratio	0.50
Beta	0.57
Alpha (%)	7.8

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