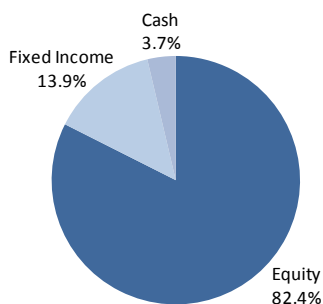
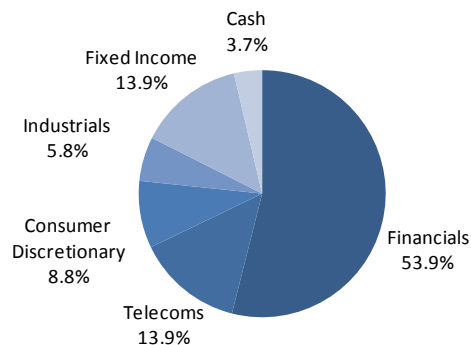


**Manager's Commentary**

During the month, the GCC markets witnessed a bloodbath, registering the worst monthly performance in over a year, amidst concerns that Europe's debt crisis will spread beyond Greece and skepticism regarding a slowdown in the global recovery. Saudi was the most affected market declining by 10.9% as oil prices dropped to as low as \$66 per barrel. Qatar and Dubai followed suit with their indices falling by 10.1% and 9.2% on the back of a strong wave of sell offs. The rest of the markets were down in the range of 6-9%.

In Bahrain, the stock exchange snapped a five month forward spree as the index slipped 8.9% in May thus erasing all of its 2010 gains. Fears over losses on international bourses regarding Europe's sovereign debt woes triggered a panic sell off in the market. With all the negative sentiment, the market breadth was skewed towards the losers with an advancer-to-decline ratio of 3-to-22. Gulf Finance House topped the losers after slumping 35% on the back of continued selling on concerns regarding its debt repaying capacity and ability to generate revenues in this environment. It is also worth mentioning that the index's biggest contributor, Ahli United Bank, which was also the largest gainer for the year, plummeted by 18%. On the other hand, the less liquid stock companies such as Bahrain Car Park Co and General Trading Co each advanced by 8.6% and 7.7% followed by Bahrain Ship Repairing at 6.6% respectively.

SICO Selected Securities Fund was down 5.9% for the month as compared to a 8.9% drop in the benchmark. The fund benefited from not having exposure to GFH and being defensively positioned with a blend of fundamentally sound companies and fixed income investments.

**Asset Allocation****Sector Allocation****Fund Statistics**

Price Earnings Multiple TTM (x)	10.7
Dividend Yield 2009 (%)	4.7
Price to Book Multiple Latest (%)	1.1
Number of Holdings	17
Annualized Return (%)	6.5
Largest Monthly Gain (%)	10.7 (May 07)
Largest Monthly Loss (%)	-12.3 (Oct 08)
% of Positive Months	62
Maximum Drawdown- Peak to Trough (%)	43.8
Length of Drawdown (months)	7
Recovery from recent trough (%)	9.2

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**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 (%)	Index (%)
May 2010	-5.9	-8.9
YTD 2010 (Jan – May)	4.8	-0.5
2009	-9.9	-19.2
2008	-28.4	-34.5
2007	31.7	24.2
2006	-0.3	1.0
2005	16.9	23.8
2004	35.7	32.7
2003	29.0	28.5
2002	12.4	3.4
2001	11.8	-2.5
2000	-7.0	-18.4
1999	6.0	1.1
1998 (May – Dec)	-5.4	-1.0
Since Inception (May 98 – May 10)	112.8	14.9
Last 3 months	0.0	-4.5
Last 6 months	7.3	0.8
Last 1 year	1.2	-10.6
Last 3 years	-18.3	-37.2
Last 5 years	-13.6	-33.2
Last 10 years	119.4	30.4

**Fund Information**

Launch Date	May 1998
Management Fee	1.0%
Performance Fee	20% over 10% pa
Subscription & Redemption	Monthly
Subscription Deadline	Two Business days
Redemption Deadline	Ten Business days
Minimum Subscription	1,000 units
Reuters Code	<SSSF>
Fund ISIN Code	BH000A1CZ8U1

**Top Holdings**

Name	Sector	(%)
Batelco	Telecom	13.9
Ahli United Bank	Financial	13.2
BCFC	Financial	7.1

**Risk Statistics**

Annualised Standard Deviation (%)	12.1
Sharpe Ratio	0.2
Information Ratio	0.6
Beta	0.7
Alpha (%)	4.2