SICO Gulf Equity Fund

Fact Sheet - August 31, 2008

NAV US$133.86 ↓10.4%

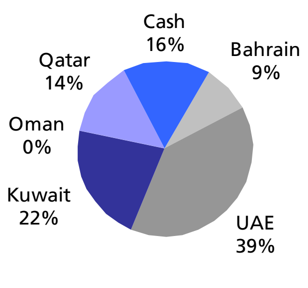
Manager's Commentary

August was an unsettling month for the regional bourses as investor sentiment took a turn for the worse. Dubai (-12%), Oman (-12%) and Abu Dhabi (-11%) shouldered the highest losses. The UAE markets, where investors were already disillusioned by the ongoing corporate investigations, suffered another blow when a foreign brokerage firm predicted a decline of up to 10% in Dubai's real estate prices. While the broader indices lost up to 12%, several blue chip stocks experienced more profound losses ranging from 20-30%. Other GCC markets except Saudi also failed to withstand the selling pressure and ended in negative territory. Consequently, the MSCI GCC ex Saudi index declined by 8% for the month.

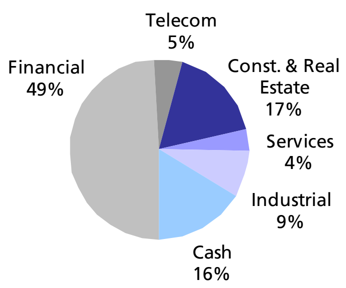
The performance of the markets clearly indicates investor confidence is fragile in face of the widening global economic downturn. Granted that the trading volumes were seasonally low in August, we think the outflow of foreign funds is largely to blame for the downfall of the regional markets. On the other hand, local investors were also consumed by weak news flows and seem to have overreacted in panic. Nonetheless, we believe the fundamental story for regional equities remains intact and has been overlooked by the investors. We also expect the bearish sentiment to largely run its course in Ramadan, when trading activity remains traditionally sluggish. A sharp recovery is expected to occur thereafter.

The NAV of SICO Gulf Equity Fund decreased by 10.4% in August compared to an 8.0% decline in the MSCI GCC ex Saudi index. However, the fund is up 5.1% YTD while the benchmark is down by 8.5%. The drop in the fund's monthly return can be explained by our high exposure to the UAE equities where some real estate and financial stocks contracted sharply. However, we believe such steep declines were sentiment driven and cannot be justified based on fundamentals. It is also noteworthy that these holdings have been key contributors to the fund's performance in the past. We remain bullish on the medium and long term growth prospects of these stocks and believe that the current valuations present a buying opportunity. Therefore, our investment strategy is to strengthen our position in beaten down stocks which offer greater upside potential and reduce our exposure in stocks with limited upside.

Country Allocation



Sector Allocation



Fund Statistics

Price Earnings Multiple 2008 (x)	8.5
Price to Book Multiple Latest (x)	2.5
Dividend Yield 2007 (%)	3.6
Number of Holdings	27
Annualized Return (%)	12.4
Largest Monthly Gain (%)	8.4 (Dec 07)
Largest Monthly Loss (%)	-10.4 (Aug 08)
% of Positive Months	60
Maximum Drawdown- Peak to Trough (%)	-13.3
Length of Drawdown (months)	6
Time to Recovery (months)	10

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
August 2008	-10.4	-8.0
YTD (Jan 08 - Aug 08)	5.1	-8.5
Last 3 months	-11.9	-10.3
Last 6 months	-4.6	-14.3
Last 12 months	23.2	0.4
2007	37.2	35.4
2006 (Mar – Dec)	-7.2	-18.8
Since Inception (Mar 06 – Aug 08)	33.9	0.6

Top Holdings

Name	Country	(%)
Emaar Properties	UAE	7.3
Qatar Telecom	Qatar	5.3
Tamweel	UAE	5.0

Fund Information

Launch Date	March, 2006
Management Fee	1.5%
Performance Fee	10% over10% 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	SICOGEF.MF
Fund Listing	Bahrain Stock Exchange
Custodian/ Administrator	HSBC Middle East, Bahrain
Auditors	Price Waterhouse Coopers

Risk Statistics

Annualised Standard Deviation	16.2
Sharpe Ratio	0.46
Information Ratio	1.48
Beta	0.72
Alpha (%)	10.96

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سجل تجاري رقم ٣٣٤٦٩

بنك استثماري Investment Bank sico