

# SICO Gulf Equity Fund

Fact Sheet - December 31, 2008

NAV US\$88.18 ↓ 6.6%

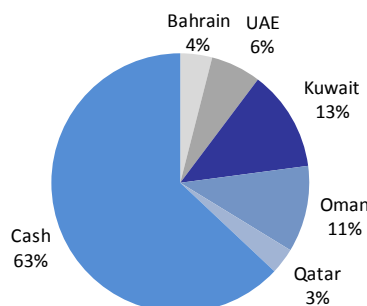
## Manager's Commentary

The year ended on an unmistakably downbeat mood as regional markets remained volatile in December. Although global markets showed some signs of recovery, most of the GCC markets faced double digit losses as measured by the MSCI GCC ex Saudi Index which lost 15% for the month. Only Qatar flicked a glimmer of hope with a solid gain of 13%, triggered by the state's capital injection and a flurry of corporate dividend announcements. However, in a year that spelled disaster for equity markets, huge ytd losses were seen in Dubai (-72%), Saudi (-57%) and Abu Dhabi (-48%). Other markets like Oman, Kuwait and Bahrain also saw their fortunes reversed with declines of 35-50% while Qatar lost 28%.

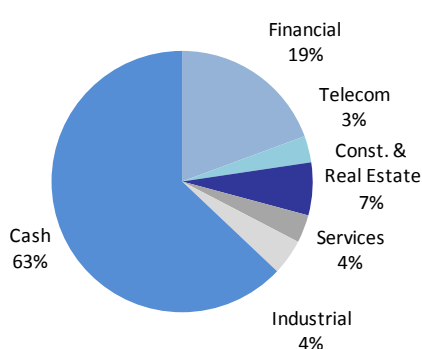
Up until the first half of the year, it was hard to reckon the extent of losses that unfolded during the latter half. The credit crisis that started developing in 2007 pummelled virtually all asset classes in 2008 as the world's largest economies slid into recession. These extraordinary events dispelled the decoupling notion and we saw regional markets become increasingly gullible to global financial and economic shocks. Oil prices receded sharply and foreign capital outflows drained regional liquidity while failures in corporate governance lay investor confidence threadbare. It was therefore, not very surprising that markets became rich with discounts, yet remained bereft of buyers. At this point in time, there exists a palpable uncertainty regarding any immediate and sustainable recovery. However, the GCC governments have announced expansionary spending amidst budget deficits along with plans to invest substantial amounts to boost liquidity. As these actions take effect, things may begin to improve in the New Year.

The NAV of SICO Gulf Equity Fund contracted by 6.6% in December and 30.8% for the year. The fund's returns significantly outperformed the benchmark index which fell by 15.0% for the month and 53.6% for the year. We have a large amount of cash that will be deployed once there is more clarity regarding oil prices and prospects for the regional real estate sector. Although market valuations are extremely attractive, we believe investment timing is of fundamental importance for maximizing returns. The upcoming earnings season will test the strength of corporate business models and provide critical direction for our bottom up investment style.

### Country Allocation



### Sector Allocation



## Fund Statistics

Price Earnings Multiple 2008 (x)	6.7
Price to Book Multiple Latest (x)	1.3
Dividend Yield 2007 (%)	5.9
Number of Holdings	22
Annualized Return (%)	-4.34
Largest Monthly Gain (%)	8.4 (Dec 07)
Largest Monthly Loss (%)	-14.9 (Oct 08)
% of Positive Months	53
Maximum Drawdown- Peak to Trough (%)	-37.9
Length of Drawdown (months)	6
Time to Recovery (months)	n/a

## 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
December 2008	-6.6	-15.0
YTD (Jan 08 - Dec 08)	-30.8	-53.6
Last 3 months	-23.1	-41.9
Last 6 months	-41.6	-54.3
Last 12 months	-30.8	-53.6
2007	37.2	35.4
2006 (Mar - Dec)	-7.2	-18.8
Since Inception (Mar 06 - Dec 08)	-11.8	-49.0

## Top Holdings

Name	Country	(%)
Bank Muscat	Oman	4.0
Burgan Bank	Kuwait	3.8
Qatar Telecom	Qatar	3.3

## Fund Information

Launch Date	March, 2006
Management Fee	1.5%
Performance Fee	10% over 10% 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(%)	20.3
Sharpe Ratio	-0.46
Information Ratio	1.58
Beta	0.73
Alpha (%)	9.76

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