



Fund owner: Securities & Investment Company BSC
Fund manager/adviser: Securities & Investment Company BSC
Named portfolio manager/adviser(s): Team
Contact group: +973 1751 5000 or www.sicobahrain.com

Latest grading issued March 2013

Fund profile

Launch date	March 2006
Manager location	Manama, Bahrain
Sector	Middle East & North Africa
Peer group	GCC equities
Fund benchmark	S&P GCC ex Saudi Arabia index
Fund size	US\$23m (1 January 2013)

Review period 12 months to end-December 2012

Peter Fuller, Analyst at S&P Capital IQ Fund Research, prepared and is responsible for this report; the Grading Committee is responsible for the grading.

The following report is based on information taken direct from the group either via interview or as a written document and augmented by information in the public domain. The sources of performance data are provided within the report. All opinions are our own.

Cumulative returns

	3 years	5 years
Fund share class	8.7%	-15.1%
Index**	3.3%	-52.4%

Fund Research opinion (February 2013)

Securities & Investment Company (SICO) is a Bahrain-based investment bank involved in capital market activities across the GCC region. SICO Asset Management is headed by Shakeel Sarwar, who joined the group in December 2004, and previously worked in Riyadh Bank in Saudi Arabia and ABN AMRO in both Pakistan and London.

Unlike many of his peers, Sarwar has been able to build an investment team that has grown steadily with relatively modest staff turnover. He has two fund managers, Naveed Ahmed and Faisal Jiwan, each with over nine years' experience, to help him set the investment strategy; and six analysts - average experience nine years - each with sector responsibilities and reporting to Malik Zahir, the head of research. Broker input is a secondary resource.

Three of the six analysts were hired during the last couple of years mainly to analyse uncovered mid-cap stocks in Saudi, as well as help expand coverage across the region. This proved particularly important during the second half of last year, when the team became negative on large-cap financials and was able to take on more mid-cap exposure quickly without compromising on detailed research.

As the fund moved down the capitalisation curve, greater emphasis was placed on daily trading volumes and the sizing of positions according to each stock's relative liquidity, as well as its growth potential.

Investment strategy is set on a weekly basis by the fund managers. During this meeting, markets, countries and stock views are discussed after which model allocations are arrived at. Positions can be tweaked in terms of timing and degree by the individual portfolio manager.

On a day-to-day basis, the fund remains in the capable hands of Ahmed, overseen by Sarwar and supported by the team.

SICO Gulf Equity Fund is a conventional portfolio of 25-30 holdings chosen principally on a bottom-up, high-conviction and fundamentals-based approach using only companies listed in the GCC region, excluding Saudi Arabia. Compared to many competitor firms, SICO has developed disciplined risk monitoring procedures.

Top-down considerations are analyzed for their impact on potential holdings. Stock selection focuses on undervalued companies with earnings growth potential and a catalyst to unlock their potential value. Company visits and keeping in close contact with companies is considered essential.

Since launch in March 2006, the fund has outperformed its benchmark S&P GCC ex Saudi Arabia index in five of the six full calendar years. Performance success in 2012 was driven at country level by the overweight positions in the UAE and Oman, coupled with an underweight to Kuwait, supported by stock selection in telecoms, materials and consumer staples. Holding around 7.3% in cash, on average, cost the fund 55bps over the calendar year.

Continuing outperformance relative to its peers from a strong and growing team allows the fund to retain its S&P Capital IQ Gold grading.

SICO Gulf Equity Fund

Management style

This conventional fund aims to achieve long-term capital appreciation by investing principally in companies listed on the stock exchanges of the GCC region, excluding Saudi Arabia. The managers target a medium- to long-term return over 10% a year.

The S&P GCC ex Saudi Arabia index is used as the fund's benchmark largely for performance comparison purposes, since portfolio construction is primarily bottom-up and based on company fundamentals and qualitative research. That said, the fund has internal guidelines at country level that include limiting exposure to any of the smaller markets to 15%, while allowing up to 40% in Qatar, Kuwait and the UAE.

The universe of GCC ex Saudi stocks is screened to eliminate those capitalised at below US\$200m and with a daily trading liquidity below \$250,000. This creates a shortlist of around 150 names which are then reduced to 75-100 stocks for in-depth research. The preference is for companies with sound business models, sustainable earnings, dividends, reasonable or low valuations and, finally, a catalyst to help release that value. Meeting management is considered an important part of the research process. Broker research is used but tends to be a secondary source of information.

The manager targets 25-30 holdings with position sizes reflecting conviction and liquidity. This tends to give the fund a large-/mid-cap bias. Positions over 5% are allowed but only in companies where the average daily trading volumes is above \$1m. Diversification is imposed by way of maximum sector exposure limits of 40% each for banks and materials; 20% in telecoms and capital goods and 10% for any other sector. Temporary exceptions are allowed. Clear stop-losses are used. The fund is priced weekly and has a 10% performance fee with high-water mark on returns over 10%. Cash may reach 50%. Turnover averages 50%.

Fund manager & team

Securities & Investment Company (SICO) is a Bahrain-based investment bank involved in capital market activities across the GCC region. SICO Asset Management is headed by Shakeel Sarwar, who over the last eight years has built a team that has grown steadily, seen few departures and is now responsible for \$625m spread across six SICO funds, three third-party funds and various discretionary accounts. Further fixed income expertise was added in 2012. The team comprises three fund managers: Shakeel Sarwar (17 years' experience), Naveed Ahmed (nine) and Faisal Jiwani (nine). They help set the investment strategy and must follow it on their individual fund responsibilities, although they can tweak it in terms of timing and degree. Research support comes from six analysts (average nine years' experience) each with sector responsibilities: Malik Zahir (head of research), Aneel Kanwer, Waruna Kumarage, Basma Alireza, Rami Jamal and Jehangir Khan. Broker input is a secondary resource.

Shakeel Sarwar - MBA (IBA, Karachi), joined SICO in December 2004 and is head of asset management and responsible for managing SICO funds and several large discretionary managed accounts. His prior experience includes five years at Riyadh Bank (Saudi Arabia) and four years with ABN AMRO Securities in both the UK and Pakistan.

Naveed Ahmed - MBA (IBA, Karachi), worked at SICO from 2005 to 2007, then re-joined the company in June 2008. He is responsible for managing several large discretionary managed accounts and supports Sarwar in managing certain SICO funds.

Faisal Jiwani - MBA (Karachi), was a sell-side analyst at Invest Capital (Pakistan) before joining SICO in 2006. He is responsible for overseeing external funds, discretionary portfolios and Islamic mandates. He also supports Sarwar in managing certain SICO funds.

Calendar-year performance

	2008	2009	2010	2011	2012
	%	%	%	%	%
Fund share class	-30.8	12.9	11.6	-8.2	6.1
Index**	-53.4	-1.1	18.4	-14.0	1.4
Interest rate^	3.5	0.9	0.4	0.3	0.4

** S&P GCC Composite ex Saudi Arabia TR USD

^ Citi USD 3m Eurodeposit USD!

Share class screened: (Class A)

Performance Data Source - © 2012 The Management Group. All rights reserved. All statistical data on this report has been run to 31/12/2012 on NAV to NAV basis, with gross income reinvested, in USD and including the effect of fees and expenses.



Latest grading issued March 2013

Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

Portfolio characteristics (1 January 2013)

No. of holdings	26
% in top 10	56
Turnover ratio (%)	45

Source: Securities & Investment Company BSC

Sector allocation (%)

Consumer staples	0.0
Energy	2.1
Financials	39.0
Industrials	26.4
Materials	5.3
Telecoms	21.2
Utilities	4.9
Cash	1.1

Source: Securities & Investment Company BSC

Geographical allocation (%)

Bahrain	6.0
Kuwait	17.0
Oman	20.0
Qatar	26.0
United Arab Emirates	30.0
Cash	1.0

Source: Securities & Investment Company BSC

Grading Process

To qualify for an interview and potential grading, a fund must have a minimum two-year performance track record (three years for funds-of-hedge-funds). New funds, funds with less than two years' performance record and specialist funds can be analysed and included providing independent verifiable performance data is supplied.

The starting point for a grading is an initial quantitative screen based on performance data obtained from Lipper Inc or elsewhere. For long-only funds, discrete annual performance comparisons are made, as opposed to cumulative returns over a three-year period. Relative performance of funds within each sector is ranked by decile.

This quantitative screen captures approximately the top 20% of funds in each sector, depending on the size of the sector. For funds-of-hedge-funds the screen is based on the fund's risk/reward objective.

For more information on the fund grading process please visit our website at www.funds-info.standardandpoors.com.

Symbols and Definitions

Active funds

Grading bands for long-only funds

Platinum	The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
Gold	The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
Silver	The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Grading bands for Fund-of-hedge-funds / Absolute return / Specialist funds

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Silver	The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Grading bands for Ucits III flexible beta funds

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
Silver	The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

Bond gradings

V	Bond fund volatility gradings of V1 to V6 reflect S&P Capital IQ's current opinion of a fund's sensitivity to changing market conditions. A volatility grading evaluates a fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For the V1 to V4 categories, risk is considered relative to a portfolio composed of government securities denominated in the base currency of the fund.
---	---

Absolute return gradings

N	The N grading is S&P Capital IQ's indication of a fund's potential capital stability in normal markets. It is a qualitative grading but is based on annualised weekly downside deviation. N1 is the most stable, and N9 the least stable grading.
---	---

Continued on next page

Symbols and Definitions (continued)

Passive funds

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk management and consistency of performance as compared to its benchmark index and other passive funds with a similar benchmark.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk management and consistency of performance as compared to its benchmark index and other passive funds with a similar benchmark.
Silver	The fund demonstrates high standards of quality in its sector based on its investment process, risk management and consistency of performance as compared to its benchmark index and other passive funds with a similar benchmark.

Applicable to both active and passive funds

Bronze	A previously graded fund where a newly appointed fund manager or team does not yet have the required 12 months' relevant investment management experience to achieve a Silver grading or higher.
Grading On Hold	A grading is placed On Hold when a significant change occurs at the fund manager or fund management team level and S&P Capital IQ has not yet had the opportunity to evaluate the impact on the qualitative appraisal.
Grading Removed	A previously graded fund is classified Grading Removed when a significant change occurs at the fund manager or fund management team level sufficient for the fund to no longer meet the standards to achieve a grading.
LTG recognition	A long-term grading (LTG) denotes a fund that has achieved an S&P Capital IQ fund grading at Platinum, Gold or Silver level in each of the last five or 10 consecutive years.

Disclaimer & disclosure

This is a marketing communication for professional clients only; and (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research using a defined gradings process; and (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This is a marketing communication; and (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This report has been produced by McGraw-Hill Financial Research Europe Limited which is authorised and regulated by the Financial Services Authority in the United Kingdom and trades as S&P Capital IQ.

For residents of the U.K. - This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience of participating in unregulated schemes or who are high net worth persons, as defined in Article 14(5) or Article 22(2) (a) to (d) of the Financial Services and Markets Act 2000 (promotion of CIS) (Exemptions) Order 2005, respectively.

This report does not constitute an offer of services in jurisdictions where Standard & Poor's or its affiliates do not have the necessary licences.

S&P Capital IQ provides fund reports and services as a paid service to fund issuers, fund manager, investors and other financial services professionals. It applies rigorous criteria to arrive at a fund's grading, and supporting analytics and commentary. S&P Capital IQ's fund reports are based mainly on public information. We do not audit the information and we may rely on unaudited information when we prepare the reports which are for professional clients as defined by the FSA. Past fund performance is no guarantee of future performance and we accept no responsibility if, in reliance on a report, you act or fail to act in a particular way. A near final draft of the fund report was disclosed to the fund manager prior to publication for factual verification only, and could have been amended by them. The fund grading applies for one year from date of award however, S&P Capital IQ reserves the right to change the grading during that time. In circumstances where a corporate event or significant change to the fund management's team, strategy or process occurs, the fund grading may be withdrawn and the fund placed On Hold.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only current as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you.

We may be paid for our products and services, normally by the fund issuer which whom we would have a contract. Our fees are based on the analysis and time involved in the research process and are not conditional on awarding a fund a grading. S&P Capital IQ and our affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services we grade, or provide model portfolio services to, evaluate or otherwise address.

S&P Capital IQ keeps certain activities of its business units separate from each other in order to preserve the objectivity of its respective activities. As a result, certain business units of S&P Capital IQ's may have information that is not available to other S&P Capital IQ business units. S&P Capital IQ has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

The funds described in this report are generally not available to US investors and are only available to US investors, if at all, who are "accredited investors" as that term is defined in Section 501 of Regulation D of the Securities Act of 1933, as amended or to investors who are deemed to be "qualified purchasers" as that term is used in Rule 2a51-1 under the Investment Company Act of 1940.

The views expressed in a report reflect our grading committee's views and the committee's compensation is not related to specific grading or to the views expressed in a report. Copyright © 2013 Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved. No part of this publication shall be reproduced, stored in any retrieval system or transmitted in any form electronic or otherwise without the prior written consent of S&P. Any part of the publication by S&P of which this page is a part is made accessible subject to the terms and conditions which are accessible at the url address below ("S&P Terms") - by accessing and viewing this page and/or and pages associated with or attached to it you accept the S&P Terms. Go to <http://www.funds-info.standardandpoors.com>.

With respect to reports issued to clients in Europe and in the case of inconsistencies between the English and German, French, Spanish, Italian or Dutch versions of a report, the English version prevails. Neither S&P Capital IQ nor its affiliates guarantee the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice.

This report is issued subject to the laws of England and all matters arising from it or its use shall be subject to the exclusive jurisdiction of the Courts of England. Because of the possibility of human or mechanical error by our sources, S&P or others, we can't guarantee the accuracy of any information and are not responsible for any errors.

For residents of Switzerland – In the event that the underlying products covered in this report are collective investment schemes within the meaning of the Federal Act on Collective Investment Schemes ("CISA"), it cannot be excluded that the dissemination and distribution of this report may qualify as indirect marketing and/or distribution of the underlying collective investment schemes. Collective investment schemes covered in this report may not be authorised for public distribution in Switzerland and, as a consequence, any dissemination and onward distribution must comply with the applicable private placement exemptions. In such event, this report is only directed at and should only be relied on by Qualified Investors within the meaning of art. 10 para. 3 CISA.

Performance Data Source - © 2013 The Management Group. All Rights Reserved. The performance information contained herein: (1) is proprietary to The Management Group and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither The Management Group nor its content providers are responsible for any damages or losses arising from any use of this information.