

SICO Fixed Income Fund

Factsheet - April 2013

NAV US\$ 101.12 ↑ 1.12%

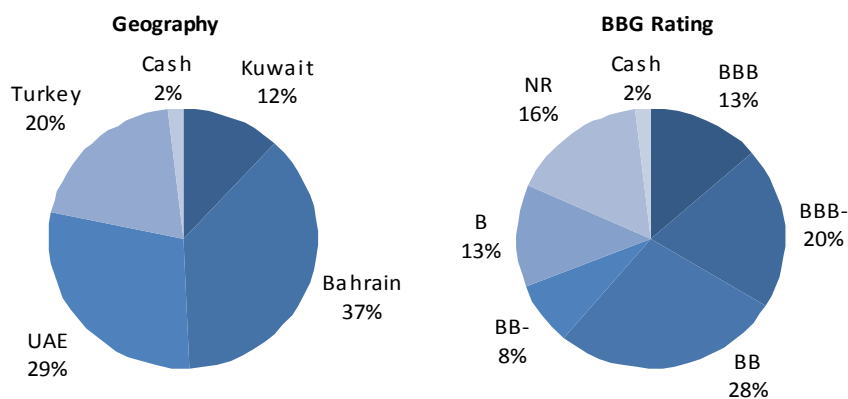
Manager's Commentary

The SICO fixed income fund rounded up the month with strong top line performance, pushing up 1.12% since its launch on the 4th of April 2013. This came as GCC debt markets showed their strongest performance for the year, with the Middle East Total Return Bond Index up 1.30%. The regional sovereign sector has lagged the high yield/corporate bond sectors in 2013, although this month we have witnessed some catching up by government bonds. On the whole, supportive statements by the FOMC and a European rate cut this month helped regional yields to squeeze lower to 3.285% from 3.375% in March.

On a macro level, the IMF reversed its Middle East growth outlook to 3.1% this year, which spurred the flight to safe assets. The Japanese Central Bank also announced this month that it will increase its monetary base in an attempt to further fuel inflation. The news sent shock waves across global fixed income markets. GCC bonds and Sukuks were some of the major beneficiaries of the increased stimulus as the BoJ squeezes local investors out of the domestic space.

Overall, performance was spread across the whole GCC curve, buoyed by the likes of CBB '22, DEWA '20, and Investcorp '17. This came as regional spreads over treasuries dropped from 177bps to 155bps. EMAAR '19 also contributed significantly to the fund's positive performance as it appreciated by USD 0.9 after receiving a one notch upgrade to BB+. Additionally, appetite on Turkish debt continued to be strong, with new issues this month up by 2 to 3 US dollars and the benefits likely to filter through to next month's NAV. We currently favour the lower investment grade credits, as we believe these offer investors better risk-adjusted returns compared to the very high quality debt. That being said, we continue to be mindful of the risks inherent in reaching for growth in a rising interest rate environment. Our investment selection process has placed an emphasis on issuers balance sheets and their ability to service debt. Moreover, we aim to maintain a duration below the benchmark and are in a position to reduce even further should the Fed decrease its bond buying program.

Portfolio Composition



Top Holdings	BBG Rating	Coupon	Yield	Duration	Allocation
1 INVESTCORP 8 ½ 11/01/17	BB	8.3%	6.4%	3.80	15.5%
2 BAHRAIN 6 ? 07/05/22	BBB	6.1%	4.2%	7.10	13.4%
3 ALDAR 10 ¼ 05/27/14	B	10.8%	1.9%	0.90	12.7%

Investment Objective and Strategy

The Fund's primary objective is to generate income and seek capital appreciation over the medium to long term.

To achieve its objective, the Fund will actively invest in Government and Corporate Fixed Income, Sukuk, Repo, Money Market instruments, and other fixed income related instruments.

Fund Features

- High liquidity
- Lower volatility
- Excellent vehicle for medium-long term investing

Fund Information

Launch	April 2013
Benchmark	HSBC ME Aggregate Index
Management Fee	1.00%
Subscription & Redemption	Weekly
Subscription / Redemption	Two Business Days
Minimum Subscription	US\$100,000
Custodian/ Administrator	HSBC Middle East
Registrar	HSBC Middle East

Fund Returns and Characteristics

	Fund (%)	Benchmark* (%)
April 2013	1.12	1.30
YTD 2013 (Apr 13)	1.12	1.30
Last 3 Months	NA	NA
Last 6 Months	NA	NA
Last 1 Year	NA	NA
Since Inception (Apr 13)	1.10	1.30
Duration (years)	4.8	5.1
Yield to maturity (%)	4.5	3.5
Coupon (%)	7.3	5.3
Spread (bps)	355	210

* HSBC Middle Eastern Aggregate Index

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بنك استثماري sico
Investment Bank

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