SICO Fixed Income Fund
Factsheet - August 2013

NAV US$ 96.91 ↓ 1.4%

Manager's Commentary

The SICO fixed income fund ended August 1.4% lower from last month's NAV - underperforming the Benchmark Index by 0.5%. The GCC debt capital markets remained exceptionally volatile throughout the month, moving in tandem with US 10-Year Treasuries. Treasuries hit their highest levels since 2011, with yields spiking as high as 2.97%. The sell-off was driven by fears that the Fed may begin tapering its bond buying program by as early as September.

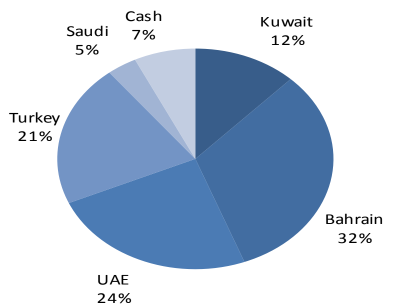
The turmoil spilled over into GCC debt markets, especially as Syrian headlines brought in some panic selling by international and private accounts with local investors following suit. Dubai credits capitulated with cash prices closing up to 2pts lower or 29bps wider on the back of selling across the sovereign and corporate curves. The Bahrain curve also saw its share of selling without any local support causing the cash curve to close up to 28bps wider. We witnessed Batelco trade as low as USD 89 in August with buyers remaining completely absent on Bahraini paper.

Turkey credits too came under pressure due to their proximity with Syria and the emerging market selloff. The added risk premium meant that our Turkish bonds, namely AlBaraka '23 and IS Bank '18 are trading at attractive yields (6% - 8%) compared with the rest of the MENA region, especially as Turkey's government recently exerted strong monetary control by raising its interest rates. The fund mainly benefitted from its high beta corporates, especially DAR ARKAN '15 and INVESTCORP '17 remained stable amidst the selloff, whilst netting in good coupons. Most of the focus is currently on the shorter end of the yield curve and will continue to remain the sweet spot for some time.

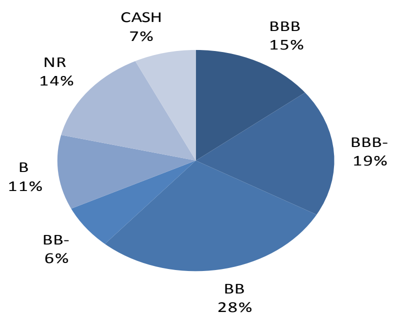
A rising interest rate environment is central to our outlook, and we have thus maintained our defensive approach regarding interest rate risk in GCC and emerging markets. Going forward, we believe the portfolio is well positioned to capitalize on its high yield holdings, especially once uncertainty clears and investors return back to fundamentals. Until then, your fund's low duration will help insulate it from further treasury volatility.

Portfolio Composition

Geography



Rating



Bonds: Allocation 88%

Top Holdings	BB Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	6.9%	3.6	15.4%
KIPCO 9 ⅜ 07/15/20	BBB-	9.4%	5.8%	5.4	12.2%
ALDAR 10 ¾ 05/27/14	B	10.8%	2.1%	0.7	10.8%

Deposits: Allocation 5%

Counterparty	BB Rating	Allocation
AHLI UNITED BANK	BBB	5.1%

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* (%)
August 2013	-1.4	-0.9%
YTD 2013 (Apr - Jul 13)	-3.1	-2.4
Last 3 Months	-3.7	-2.9
Last 6 Months	NA	NA
Last 1 Year	NA	NA
Since Inception (2nd Apr – 31st Aug 13)	-3.1	-2.7
Duration (years)	3.7	5.0
Yield to maturity (%)	4.9	4.7
Coupon (%)	6.5	5.1
Spread (bps)	365	237

*** HSBC Middle Eastern Aggregate Index**

For further information contact assetmanagement@sicobahrain.com

Securities & Investment Company BSC (c)
P.O. Box 1331, Manama, Kingdom of Bahrain
Tel: +973 1751 5000 Fax: +973 1751 4000
CR No: 33469

شركة الأوراق المالية والاستثمار ش.م.ب (م)
ص.ب: ١٣٣١، المنامة، مملكة البحرين
هاتف: ١٧٥١٥٠٠٠ ٩٧٣+ فاكس: ١٧٥١٤٠٠٠ ٩٧٣+
سجل تجاري رقم ٣٣٤٦٩

بنك استثماري SICO Investment Bank