

SICO Fixed Income Fund Class A

Factsheet - February 2017

NAV US\$ 106.54 ↑ 0.9%
Adjusted (for dividends) NAV US\$ 116.79

Manager's Commentary

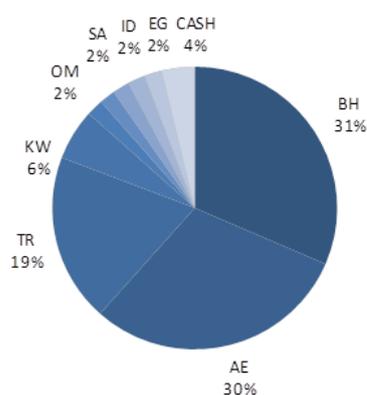
The SICO Fixed Income Fund continued its positive performance and rose for the second time this year increasing by 0.9% compared to 1.0% by its index.

Fixed income markets continued to rally as investors felt that minutes released by the Federal Reserve in February were not hawkish or aggressive enough to warrant a rate move in March. Sentiment amongst traders was that there was no sense of urgency to push for a second rate hike, especially with the last one just three months back. The benchmark 10-year treasury as result dropped from 2.45% to 2.39% during the month with bond prices currently pricing in two rate hikes this year. GCC bond holders also took more comfort in holding higher quality names betting that the Fed will probably be on hold for at least another 3 months. Long duration was not so much sought after, but medium term GCC sovereign paper did receive decent buying attention. At the same time, an estimated USD 4 billion worth of GCC bonds matured in February while many Asian investors continued to target the region and push up prices.

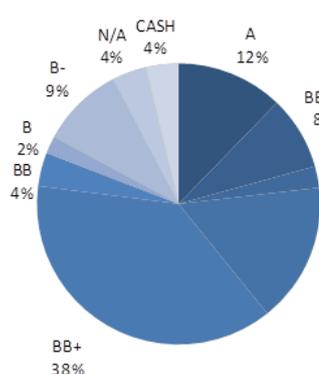
The fund however stayed loyal to its prudent investment strategy and managed to keep up with its benchmark despite carrying just half of its duration. BAHRAIN 24s jumped by a dollar with strong demand coming mainly from Sukuk investors while ALBARAKA 23 holders got a 1.5% boost this month. A new Bahrain 28 tap during February also attracted a USD 2.6 billion order book helping the rest of the fund's Bahrain exposure. Elsewhere DEWA announced plans to open a new facility while a lot of the Turkish debt added stability and yield this month. Nevertheless we remain wary that the rising economic optimism in the US has not yet materialized in treasury markets. The unemployment rate has been below 5% for nine straight months, and the 227,000 gain in jobs in January was the most in four months. January's top line inflation figure also came in at staggering 2.5%, well above the Fed's 2% target and if we get another set of strong numbers in March, then there is very little reason why the Fed should still be holding back. We have therefore added protection this month by adding more floaters to the fund and continue to target the new issue space as an additional source of positive returns.

Portfolio Composition

Geography



Rating



| Top Holdings | Rating | Coupon | Yield | Duration | Allocation |
|----------------------------|--------|--------|-------|----------|------------|
| BHRAIN 5.624 02/12/24 | BB+ | 5.6% | 4.9% | 5.8 | 14.6% |
| ALBARAKA TURK 7 ¾ 05/07/23 | B | 7.8% | 8.9% | 1.1 | 9.5% |
| DEWAEE 7 3/8 10/21/20 | BBB+ | 7.4% | 2.8% | 3.2 | 6.7% |

Investment Objective

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 | Barclays EM GCC Bond Index |
| Management Fee | 1.00% |
| Subscription & Redemption | Weekly |
| Subscription / Redemption | Two Business Days |
| Minimum Subscription | US\$10,000 |
| Custodian/ Administrator | HSBC Middle East |
| Registrar | HSBC Middle East |

Fund Returns and Characteristics

| | Fund (%) | Benchmark* (%) |
|---------------------------------------|----------|----------------|
| February 2017 | 0.9 | 1.0 |
| 2017 (YTD) | 1.6 | 1.9 |
| 2016 | 5.7 | 4.8 |
| 2015 | 1.6 | 1.7 |
| 2014 | 8.4 | 6.8 |
| 2013 (Apr - Dec 13) | -1.0 | -0.4 |
| Last 3 Months | 2.0 | 2.2 |
| Last 6 Months | 2.4 | 0.0 |
| Last 1 Year | 6.9 | 6.0 |
| Since Inception (Apr 2013 – Feb 2017) | 16.9 | 15.6 |
| Duration (years) | 2.9 | 5.8 |
| Yield to maturity (%) | 4.2 | 3.5 |
| Coupon (%) | 5.5 | 4.4 |
| Spread (bps) | 246 | 152 |

* Barclays EM GCC Index

For further information contact fi@sicobahrain.com

Securities and Investment Company BSC (c) claims compliance with the Global Investment Performance Standards (GIPS®). Securities and Investment Company BSC (c) (also known as SICO) is a closed joint stock company registered in Bahrain and operates a wholesale banking license from the Central Bank of Bahrain. The company is registered with the Ministry of Industry and Commerce and is listed on the Bahrain Stock Exchange as a closed company. To receive a list of composite descriptions and/or a presentation that complies with the GIPS standards, write to fi@sicobahrain.com, or call 973 17 515000.

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SICO Fixed Income Fund Class B

Factsheet - February 2017

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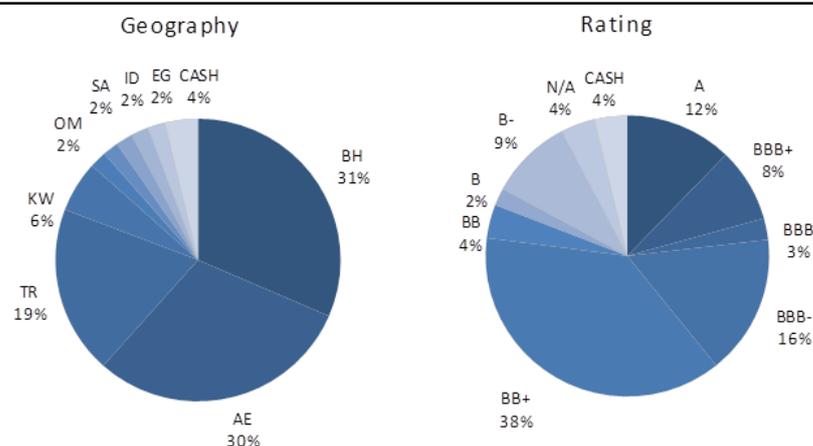
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