

Manager's Commentary

The SICO Fixed Income Fund posted a solid performance for the month of July, appreciating by 0.7% versus the Index return of only 0.3%. The outperformance came on the back of careful positioning given the macro-environment we find ourselves in.

Regional fixed income markets showed signs of resilience, especially towards month end as US 10 Year Treasuries went on what many would describe as a rollercoaster ride as the yield fluctuated from 2.49% levels to 2.61% and finally back to 2.49%. July however was a quiet month in the region as investors were in Ramadan mode and worked shorter hours thus limiting capital flows regionally. Risk was not added nor taken off the table even as Middle-Eastern countries were engulfed in a confluence of crisis ranging from Israeli/ Palestinian conflict and a growing threat in Iraq as extremists continued their advance into Iraq.

From a global perspective, July will be remembered by the turbulent couple of days at month end for markets after a potent cocktail of a stronger US GDP print, higher yields, a slew of weaker earnings, the aftermath of the Argentinean default and more concerns over Banco Espirito Santo suddenly made the headlines. It was ironic that US Treasuries finally closed flat given that the sell-off originated from higher yields as markets began to question the path of Fed. policy. Yields were however virtually unchanged at the close, thus masking a fair bit of volatility. As mentioned, 10 Year yields traded up as high as 2.61% following a stronger than expected Employment Cost Index print (0.7% QoQ vs 0.5% expected).

Turning to the fund, no new positions were added. The existing position composition did not require any rebalancing given the current macroeconomic environment. Positioning proved to be key as the fund outperformed the index by 0.4% and continued to clip decent yield with a current yield to maturity of 4.4% and an average coupon of 6.3%. Going forward into August, the fund should continue to outperform.

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	Barclays EM GCC Bond 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

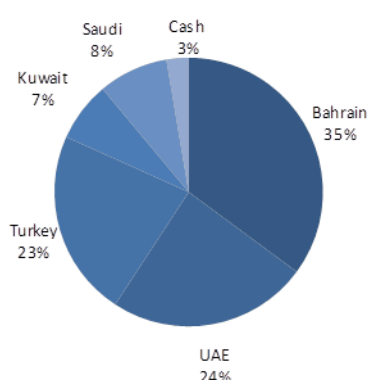
Fund Returns and Characteristics

	Fund (%)	Benchmark* (%)
July 2014	0.7	0.3
YTD (Jan - July) 2014	7.0	5.6
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	2.5	1.8
Last 6 Months	6.5	4.5
Last 1 Year	9.1	7.4
Since Inception (2nd Apr – 30th July14)	6.2	5.2
Duration (years)	4.0	5.3
Yield to maturity (%)	4.4	2.9
Coupon (%)	6.3	4.6
Spread (bps)	280	125

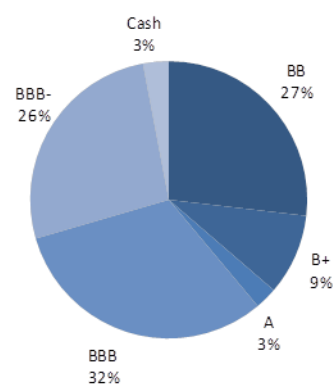
* Barclays EM GCC Index

For further information contact assetmanagement@sicobahrain.com

Geography



Rating



Top Holdings	BB Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.7%	2.9	18.2%
ALBARAKA TURK 7 ¼ 05/07/23	BB	7.8%	8.2%	6.3	11.0%
DEWAE 7 ¼ 10/21/20	BBB	7.4%	3.3%	5.1	8.4%

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Investment Bank