

### Manager's Commentary

The SICO Fixed Income Fund posted a remarkable performance for the month of June, appreciating by 0.2% versus the Index return of -0.2%. The outperformance came on the back of careful positioning given the macro-environment we find ourselves in.

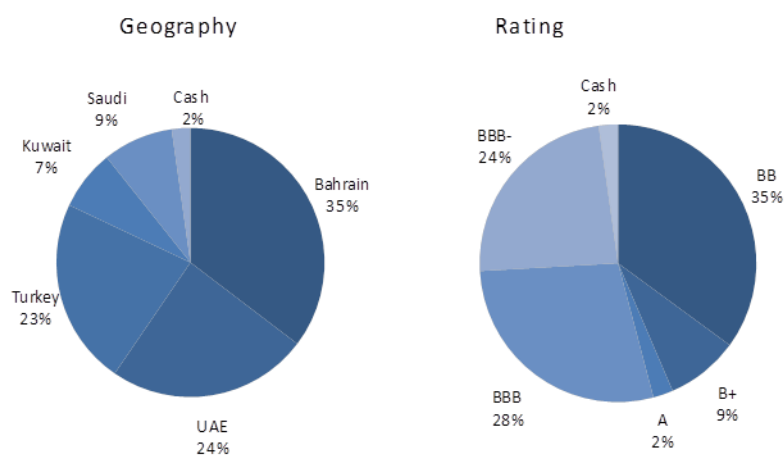
GCC debt capital markets were slightly more volatile in June in comparison to the previous month. The volatility did however not come as a result of a volatile 10 year US Treasury note, but was mainly due to a record number of primary issuances made during the course of the month, as issuers took advantage of the ever so strong investor demand for paper. Issuers who tapped markets in June included Al Hilal Bank, Albaraka Turkey, Etisalat, Emaar Malls, KFH Turkey and RAK Bank.

History was also made in June, as 6 years and 10 months after the ECB embarked on their first major intervention in financial markets, Mario Draghi undertook a historic move by reducing the deposit rate to negative 0.10% from zero, making the institution the world's first major central bank to use a negative rate. Policy makers also lowered the benchmark rate to 0.15% from 0.25%. While conceding that rates are at the lower bound "for all practical purposes," he signaled that the ECB is willing to act again. Draghi's announcement is the most dramatic since he announced his plan to "do whatever it takes" to save the Euro in the summer of 2012.

In the US 10 Year Treasuries ended the month up as yields compressed from 2.64% to 2.55% as were shocked to see US Q1 GDP to be revised downward to -2.9% Q1 US GDP (from -1.0%, estimate -1.8%) in the latest issued US GDP report. It will take some mighty impressive growth between Q2-Q4 to bring us back into the 2.5-3% FY 2014 range. Economists note that it is extremely rare for US GDP to contract so sharply in a non-recession period.

Turning to the Fund itself, two positions were added in June, KFH '19 and RAK Bank '19. RAK '19 was however offloaded to capitalise on capital appreciation as the issue spiked shortly after being issued. The cash was then utilised for the KFH '19 issue as it offered both yield pick-up and further upside in the form of capital appreciation.

### Portfolio Composition



Top Holdings	BB Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.7%	2.9	18.4%
ALBARAKA TURK 7 ¾ 05/07/23	BB	7.8%	8.3%	6.4	11.0%
DEWAAE 7 ¾ 10/21/20	BBB	7.4%	3.4%	5.2	8.4%

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### 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* (%)
June 2014	0.2	-0.2
YTD (Jan - June) 2014	6.3	5.3
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	2.8	2.0
Last 6 Months	6.3	5.3
Last 1 Year	10.0	8.1
Since Inception (2nd Apr - 30th June 14)	5.4	4.8
Duration (years)	4.0	5.3
Yield to maturity (%)	4.5	2.9
Coupon (%)	6.4	4.6
Spread (bps)	301	132

\* Barclays EM GCC Index

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