SICO Fixed Income Fund

Factsheet - October 2014

NAV US$ 105.31 ↑ 0.5%

Manager's Commentary

The SICO Fixed Income Fund posted a positive performance for the month of October, appreciating by 0.5% versus the Index return of 1.21%.

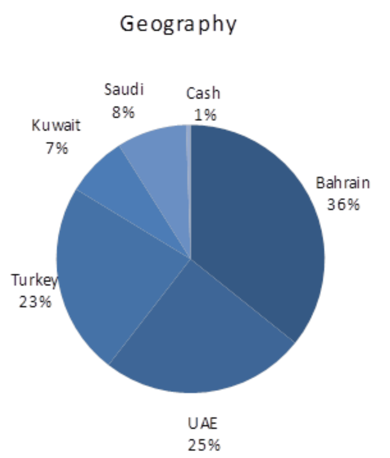
October proved to be the most volatile month in 2014 for UST Treasuries as the 10 Year rallied more than anyone had anticipated, commencing the month at 2.44% and compressing all the way to 1.86% levels. The rally took place as global equity markets corrected causing a knee-jerk-reaction in the form of investors flying to quality. GCC high quality names naturally benefited as well. The high yield segment however took a beating and underperformed in the risk-off environment. The primary catalyst for the GCC sell-off were falling oil prices- the region's biggest worry as oil dipped to levels last seen in June 2012. Qatari markets however proved to be the least affected as the state is mainly focused on exporting natural gas as opposed to oil. We expect GCC fixed income markets to trade sideways in November and remain dependent on movements of the 10 Year US Treasury whose performance will be data driven.

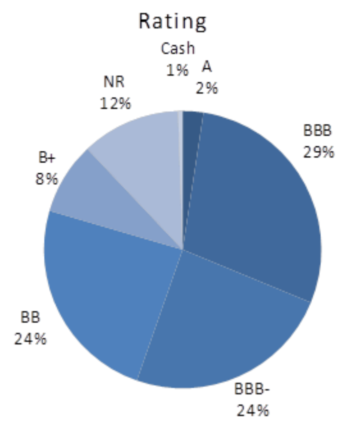
In comparison to September's USD 7 billion flurry of issuances, October only witnessed one primary issue as the National Bank of Oman issued a 5 year bond.

Globally, all eyes were on the FOMC meeting which ended on the 29th as investors awaited an announcement confirming the end of QE. US data ended the month on a strong note as the economy in the U.S. expanded more than forecast in the third quarter, capping its strongest six months in more than a decade. GDP grew at a 3.5% annualized rate in the three months ended September after a 4.6% gain in the second quarter. All-in-all Federal Reserve officials dismissed recent turmoil in global financial markets, and focused instead on "solid" employment gains that will keep them on a path toward an interest-rate increase next year. A majority of U.S. policy makers at their meeting also set aside concerns, both among their own members and in financial markets, about too-low inflation, voting to proceed with plans to end their third round of asset purchases.

Turning to the fund, no new positions were added . The existing position composition did not require any rebalancing either and in turn the fund managed to post a further month of a positive performance.

Portfolio Composition





Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.8%	2.7	18.1%
ALBARAKA TURK 7 ¾ 05/07/23	NA	7.8%	7.8%	6.4	11.3%
DEWAEE 7 ⅜ 10/21/20	BBB	7.4%	3.1%	5.0	8.4%

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* (%)
October 2014	0.5	1.2
YTD (Jan - Oct) 2014	8.4	7.3
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	1.4	1.6
Last 6 Months	3.8	3.4
Last 1 Year	8.7	7.0
Since Inception (2nd Apr – 30th Oct14)	7.6	6.8
Duration (years)	3.9	5.3
Yield to maturity (%)	4.6	2.9
Coupon (%)	6.6	4.6
Spread (bps)	317	135

*** Barclays EM GCC Index**

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ص.ب: ١٣٣١، المنامة، مملكة البحرين
هاتف: ٩٧٣١٧٥١٥٠٠٠+ فاكس: ٩٧٣١٧٥١٤٠٠٠+
سجل تجاري رقم ٣٣٤٦٩

بنك استثماري Investment Bank SICO

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