SICO Fixed Income Fund

Factsheet - April 2015

NAV US$ 105.90 ⬆ 0.8%

Adjusted (for dividends) NAV US$ 109.90

Manager's Commentary

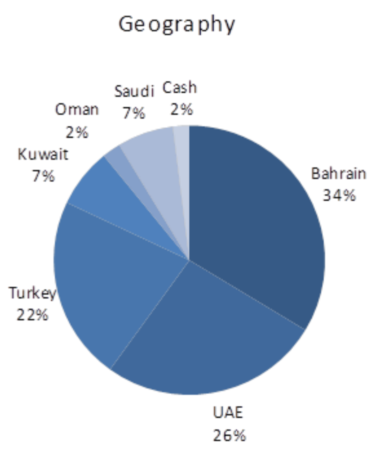
The SICO Fixed Income Fund rose for a third time this year taking the total return in 2015 to 1.9%. In April, the fund returned 0.8% versus the benchmark of 0.6%.

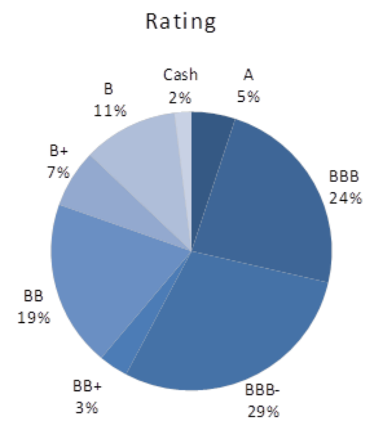
GCC fixed income markets experienced an exciting month dealing with both higher oil prices and treasury rates. Brent rallied almost 21% to USD 63 this month alone while the 10-year treasury rate rose 10bps to 2.03%. Also with a more "relaxed" and "dovish" Fed and with no risk of an imminent rate hike anytime soon, investors were comfortable buying more bonds, especially in the high yield space. The fund's high yielders sprung back to life and were up by 2-3 dollars. The Dubai Government curve also performed strongly with demand flowing into our UAE based papers. On top of that other names remained flat but continued to accrue a healthy coupon of 8%-9%. The financials which have been lagging for some time now also caught part of the tailwinds and the maturities of two big issues during April also saw a lot of cash recycled into short term paper which helped the performance of the fund.

GCC bonds & Sukuks have so far averaged a return of 2.9% this year and despite the rally which we have witnessed, there is still a lot of optimism surrounding fixed income and rightly so. Just a few months ago several market participants judged that economic data and outlook were likely to warrant a first rate hike in June. However recent energy price declines and a stronger US dollar have since pushed out that date to at least the end of 2015. Inflation seems to be the big worry and has struggled to gain momentum. Additionally the Fed must balance two competing priorities; the desire to maximize employment in the US economy, while also keeping prices in check. Additionally, in Europe 25% of the European sovereign bond market is trading with a negative yield. Therefore a U.S. 10-year bond offering a roughly 2% yield and backed by a strong currency actually seems appealing.

Against this back drop, we have slightly increased the duration of the portfolio with a couple of new high quality additions. High yielders have also been of great focus as they offer good value, especially in the existing environment.

Portfolio Composition





Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.9%	2.2	17.1%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	7.8%	2.6	10.8%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	2.8%	4.7	8.1%

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* (%)
April 2015	0.8	0.6
2015 (YTD)	1.9	2.9
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	1.3	0.7
Last 6 Months	2.2	2.5
Last 1 Year	6.1	6.0
Since Inception (Apr 2013 – Apr 2015)	9.9	9.5
Duration (years)	3.5	5.3
Yield to maturity (%)	4.3	2.8
Coupon (%)	6.2	4.6
Spread (bps)	302	145

*** Barclays EM GCC Index**

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شركة الأوراق المالية والاستثمار ش.م.ب (م)
ص.ب: ١٣٣١، المنامة، مملكة البحرين
هاتف: ٥٠٠٠ ١٧٥١ ٩٧٣+ فاكس: ٤٠٠٠ ١٧٥١ ٩٧٣+
سجل تجاري رقم ٣٣٤٦٩

بنك استثماري Investment Bank SICO