SICO Fixed Income Fund

Factsheet - August 2015

NAV US$ 106.23 ⬇ 1.0%

Adjusted (for dividends) NAV US$ 110.23

Manager's Commentary

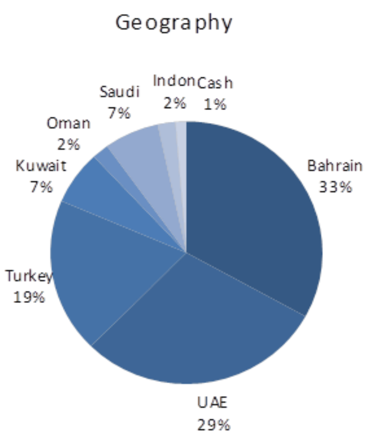
The SICO Fixed Income Fund faced its worst month so far this year as it dropped by 1% during August compared with 0.4% by the benchmark as regional credits struggled to cope with the plunge in oil prices.

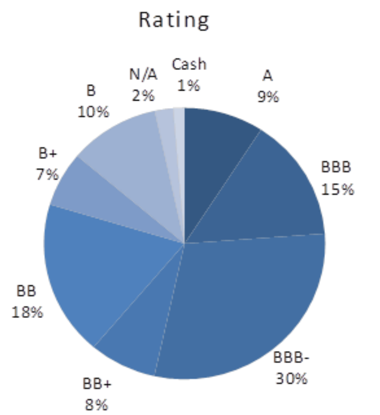
Doubts about slowing Chinese growth and potential weak global demand, especially amongst emerging nations have created a substantial "risk off" environment which has particularly hurt the high yielders and oil exposed sovereigns. The Bahrain curve unfortunately fits both those categories and has been badly affected dragging down the performance of the fund and we believe that over the long term the Bahrain curve will recover along with the corporate sector. To put it in context Government debt dropped by as much as 2 dollars. However none of the names were safe from the turmoil this month. With hardly any buyers out there, it meant that even the best bonds were affected by the contagion from China.

In our opinion, the selloff has come at an inconvenient time with a rate rise seemingly round the corner, and the Fed's apparent determination to tighten monetary policy even in the face of some rather stubborn data. At the same time, the first interest rate hike by the Fed won't be painless for emerging economies, such as the GCC. However, the fund is setup to outperform in this environment due to its exposure to floating rate bonds which will do well once interest rates increase. In the meantime, they will provide a cushion and help reduce the overall volatility in the fund due to their low duration. Additionally, nearly 21% of the names in the fund will mature over the next two years and can be recycled into higher rates in the future. This will help aid to maintain and enhance returns going forward.

We believe that the fund will continue to face pressure from its Bahrain holdings in the short term and expect them to recover back once oil prices stabilize and government initiatives are clear. The worst seems to be behind with credit spreads now at their widest since 2011. The average yield to maturity currently stands at 4.6% and provides ample room to generate moderate and sustainable returns. At the same time we have reduced interest rate risk to the lowest in the last two years as given by the duration figure of 3.1x.

Portfolio Composition





Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.9%	1.9	16.7%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	8.8%	2.3	10.6%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	2.9%	4.3	7.9%

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* (%)
August 2015	-1.0	-0.4
2015 (YTD)	2.2	2.3
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	-0.5	-0.7
Last 6 Months	1.0	-0.1
Last 1 Year	2.7	2.3
Since Inception (Apr 2013 – Aug 2015)	10.2	8.9
Duration (years)	3.1	5.0
Yield to maturity (%)	4.6	3.1
Coupon (%)	6.1	4.6
Spread (bps)	324	140

*** Barclays EM GCC Index**

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ص.ب: ١٣٣١، المنامة، مملكة البحرين
هاتف: ١٧٥١٥٠٠٠ ٩٧٣+ فاكس: ١٧٥١٤٠٠٠ ٩٧٣+
سجل تجاري رقم ٣٣٤٦٩

بنك استثماري sico Investment Bank