

Manager's Commentary

The SICO Fixed Income Fund closed the year with a 1.9% return after rising 0.3% in December despite the Barclays GCC Fixed Income Index dropping by 0.1% during the month.

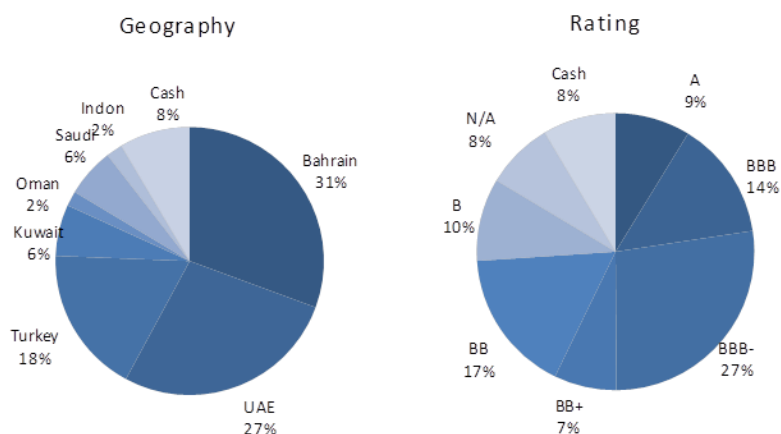
In what seemed like an unprecedented move, the Federal Reserve raised interest rates for the first time in almost a decade and promised "gradual" tightening going forward. They raised the new target range by 0.25% in what was a unanimous vote after meeting their base case scenario which included growth, price stability and an improved labor market.

The fund heavily benefited this month from its exposure to Bahraini bonds which performed particularly strong compared to other GCC markets after it survived to maintain its investment grade rating at BBB-. It also benefitted from its floating rate bonds which have already increased in coupons reflecting the hike by the Fed and positively contributing to performance this month. On top of that, our top three holdings remained largely flat and accrued a high coupon of 7%-8% which helped to maintain our gains.

Going forward, the fund has nearly 4% of bonds maturing in 2016 and a healthy cash cushion of 8% which allows us to invest into cheaper names as they continue to get negatively impacted by the low oil prices and higher interest rates in the GCC. The same profiting strategy can be rolled over into the following years to continue reaping benefits with another 15% maturing in 2017. The portfolio is expected to capitalize on its high yield to maturity of 4.8% during the transition phase and is able to pick up higher yields from the falling pieces along the way.

We also increased the quality of the portfolio slightly by increasing our government exposure to 31% in order to safe guard the performance during periods of uncertainty.

Portfolio Composition



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	6.0%	1.7	15.3%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	8.5%	5.6	9.9%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	3.1%	4.1	7.3%

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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* (%)
December 2015	0.3	-0.1
2015 (YTD)	1.9	1.7
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	0.0	-0.8
Last 6 Months	-0.7	-0.4
Last 1 Year	1.9	1.7
Since Inception (Apr 2013 – Dec 2015)	9.9	8.2
Duration (years)	3.0	4.9
Yield to maturity (%)	4.8	3.5
Coupon (%)	5.8	4.6
Spread (bps)	342	187

* Barclays EM GCC Index

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