

Manager's Commentary

The SICO Fixed Income Fund rose by 0.5% in July as 10-year treasuries dropped to 2.26% and the Barclays GCC Bond Index closed by 0.6% higher.

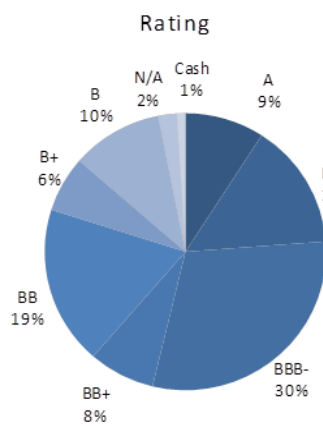
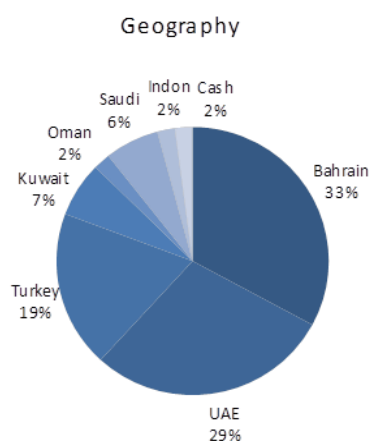
It has been a great month for fixed income as the latest comments from the Fed suggested that a rate hike may now be delayed until the end of the year. It has become increasingly clear that despite a lot of data meeting the Fed's base case scenario, the data is yet too weak to warrant a rate hike in September as previously anticipated. Inflation is still low, unemployment data is fragile, equity valuations are high, growth estimates underperformed and there has been barely any wage growth. This particularly worked in favour of long duration and high yielding bonds.

GCC bonds and Sukuks fared well, particularly towards the end of the month as treasuries rallied and oil prices began to find a floor around the USD 50 level. There were also some credit positive events in the region such as the removal of oil subsidies in the UAE which helped a lot of the Dubai based bonds. The financials and banks also performed well with the flavor being in the 5 year space. A similar theme was taking place in the high yield sector which continues to enjoy strong demand despite the rally this year.

All in all, it was a good month for the fund, especially when considering its defensive positioning in lower duration bonds. The fund's top holdings collectively rose by 30 cents and accrued a healthy coupon of 7.8% on average. The trend is expected to continue as investor appetite for safe assets usually rises in August as trading volume declines. We also expect the fund to receive a slight boost from its Turkish exposure as prices over there have been undermined following the escalation in its actions against ISIS and PKK.

Going forward, the focus will no longer be on when the Fed will raise rates but rather when the second rate hike will take place. This is not expected until June 2016 which means that monetary policy will still be very easy and should support fixed income. Until then, the fund will continue to carry high coupons with floaters kicking in once rates begin to rise.

Portfolio Composition



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.2%	2.1	16.8%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	7.7%	2.4	10.6%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	2.9%	4.4	7.8%

Securities & Investment Company BSC (c)
P.O. Box 1331, Manama, Kingdom of Bahrain
Tel: +973 1751 5000 Fax: +973 1751 4000
CR No: 33469

شركة الأوراق المالية والاستثمار ش.م.ب (م)
ص.ب: 1331، المنامة، مملكة البحرين
هاتف: +973 1751 5000 فاكس: +973 1751 4000
سجل تجاري رقم 33469

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* (%)
July 2015	0.5	0.6
2015 (YTD)	3.2	2.7
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	1.3	-0.1
Last 6 Months	2.6	0.5
Last 1 Year	4.9	4.0
Since Inception (Apr 2013 - July 2015)	11.3	9.3
Duration (years)	3.2	5.1
Yield to maturity (%)	4.1	2.9
Coupon (%)	6.1	4.6
Spread (bps)	279	142

* Barclays EM GCC Index

For further information contact assetmanagement@sicobahrain.com

بنك استثماري
Investment Bank **sico**