Manager's Commentary

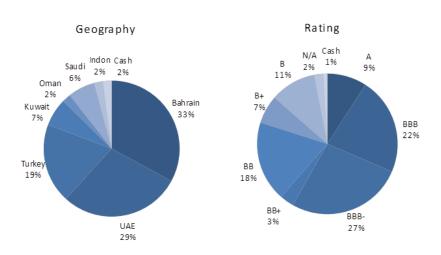
The SICO Fixed Income Fund dropped by only 0.1% in June as it managed to hold its ground despite a selloff in international markets. The Barclays GCC Bond Index was down by 0.9%.

Treasury rates have been climbing at a phenomenal pace over the last month from 2.1% to 2.5% before settling in at 2.35%. Fixed income investors have been preparing themselves for a probable September rate hike after Fed officials signaled that data has been meeting their base case scenario. However these statements have been overshadowed by the fact that Greece has been struggling to reach a deal with its creditors, risking a default and ultimately an exit from the euro common currency. The fears have sparked safe-haven buying amongst investors, coincidentally in a period where rates are expected to increase. At this stage, it is quite possible that an exit would delay rate hikes and we could see treasuries trading at the 2.2% level again.

The fund however performed well amidst the turmoil, owing to its defensive positioning in short duration and high quality paper. We have now increased our exposure A-rated names from 4% to 9%. Financials in the 5-10 year space have been particularly well sought. Additionally anything with a bit of yield and maturing soon seems to be the flavour at the moment. Bahraini corporate bonds also contributed positively as spread levels continued to tighten across the curve. In terms of trading, we reduced our exposure to Turkey following election uncertainty and switched into floating rate bonds as these are expected to do well in an interest rate rising environment and fit well within the fund's core strategy.

Going forward, the fund will continue to focus on the high yield sector, cautiously adding on any dips in the market. Liquidity is expected to remain thin which means that bonds can be picked up at cheaper levels than usual. We will also continue to look at relative value trades in order to maintain positive returns which will help the fund outperform its benchmark.

Portfolio Composition



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.6%	2.1	16.8%
ALBARAKA TURK 7 ¾ 05/07/23	В	7.8%	7.7%	2.6	10.8%
DEWAAF 7 3/8 10/21/20	RRR	7.4%	3.1%	4.5	7.8%

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شركة الأوراق المالية والاستثمار ش.م.ب (م) ص.ب: ۱۳۷۱. المنامة ، مملكة البحرين هاتف: ۵۰۰۰ ۱۷۷۱ ۹۷۳ فاكس: ۵۰۰۰ ۱۷۷۱ ۹۷۳ ب سجل تجاري رقم ۹۲۳ ۳۷ 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 US\$10,000 HSBC Middle East				
Minimum Subscription					
Custodian/ Administrator					
Registrar	HSBC Middle East				

Fund Returns and Characteristics

	Fund (%)	Benchmark* (%)
June 2015	-0.1	-0.9
2015 (YTD)	2.7	2.1
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	1.5	-0.1
Last 6 Months	2.7	2.1
Last 1 Year	5.0	3.7
Since Inception (Apr 2013 – Jun 2015)	10.7	8.7
Duration (years)	3.3	5.1
Yield to maturity (%)	4.2	3.1
Coupon (%)	6.1	4.6
Spread (bps)	298	151

* Barclays EM GCC Index

For further information contact assetmanagement@sicobahrain.com



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