

Manager's Commentary

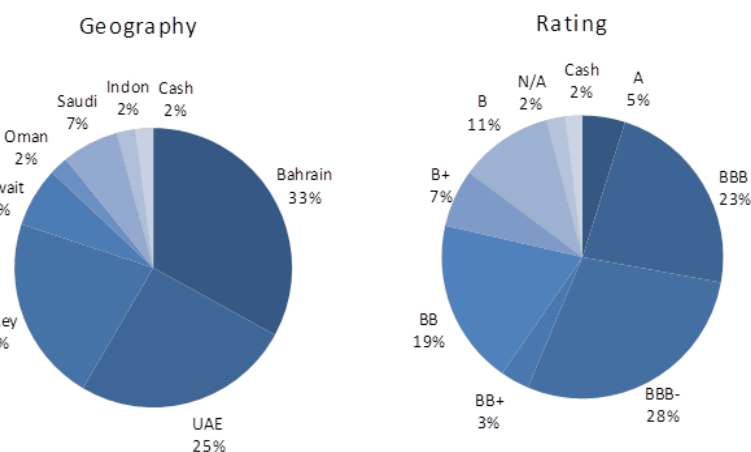
The SICO Fixed Income Fund rounded off another month of solid performance, rising by 0.8% compared to 0.1% by the Barclays GCC Bond Index.

Fixed income markets experienced an eventful month, governed by heightened interest rate volatility and a more bullish view on interest rates. 10-year treasuries jumped to as high as 2.29% after Fed Chair Janet Yellen mentioned that current low yields do not reflect the proper state of the US economy. Fact is that the Fed has been on a successful track balancing their labour and inflation mandates. Expectations on inflation have improved and should move back to the 2% target whereas unemployment could fall to the 4% range in the next six to eight months. The Fed is therefore on track to meeting its base case scenario for an interest rate hike this year especially with extremely easy monetary policy for a few more months.

GCC fixed income markets have remained healthy as they rose marginally compared to the international selloff. Yields on GCC debt are the highest they have been in 5 months and everyone with a bit of spare cash is piling in now and reaping the positive benefits from accruing interest. In general, short duration and high yielders outperformed and seemed especially resilient to the move in treasuries. The Bahraini curve sprung back to life following a reversal in speculations about a possible downgrade. Investors responded positively to the Kingdom's proposed budget cuts and showed confidence in the regional financial market. Sovereign paper was up by almost a dollar this month. The fund also participated in a primary issue in May and rose 75 cents on the first day of trading. The new high yielding government paper offers a good blend with our current outlook on interest rates.

Going forward, the fund is well positioned to outperform GCC bond markets. In the coming environment we continue to focus on floaters, high yielders, shorter maturities and credits which are expected to tighten. The GCC also benefits from the oil-price call option. Therefore we expect protection from higher oil prices rising in tandem with interest rates. We will continue to look out for signs of complacency and take advantage of expected volatility in the coming months.

Portfolio Composition



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.6%	2.2	16.8%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	7.7%	2.6	10.7%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	2.9%	4.6	7.9%

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* (%)
May 2015	0.8	0.1
2015 (YTD)	2.8	3.0
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	1.5	0.6
Last 6 Months	1.9	2.2
Last 1 Year	5.3	4.4
Since Inception (Apr 2013 – May 2015)	10.8	9.6
Duration (years)	3.4	5.2
Yield to maturity (%)	4.2	2.9
Coupon (%)	6.2	4.6
Spread (bps)	285	143

* Barclays EM GCC Index

For further information contact assetmanagement@sicobahrain.com

بنك استثماري **sico**
Investment Bank