

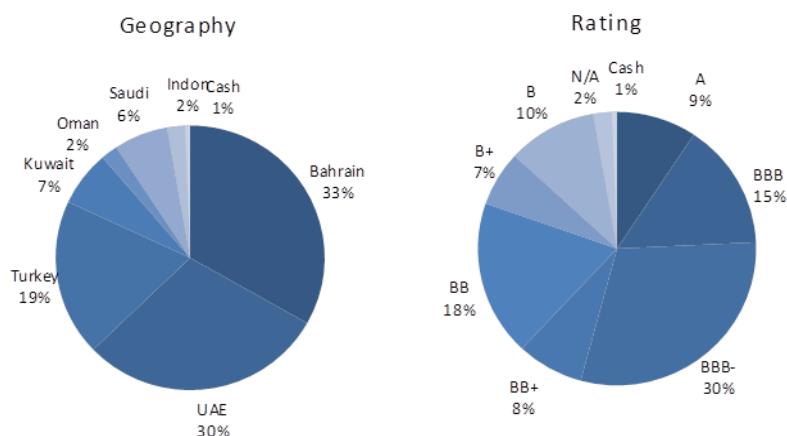
Manager's Commentary

The fixed income fund jumped by 0.6% in October as the Barclays GCC Fixed Income Index rose by 0.5% over the same time period.

It was a great month for local bonds and sukuks as probabilities of a rate hike for 2015 have now fallen to below 50% ahead of weak US data and international headwinds. The Fed has been struggling to reach its inflation target of 2% for the last 3 years and that has not changed with the latest report coming in at a meager 0.3%. At the same time exports have been decreasing which may negatively impact 3rd quarter GDP figures. The rest of the world has also been slowing down, mainly driven by restructuring efforts from China which has also pushed Europe back into negative territory. Even the strong US labor market is starting to brittle with a very bad September Job report. That has pushed out the tightening of monetary policy by at least a good six months according to market expectations and favored emerging market bonds in general.

The portfolio took advantage of the improved sentiment due to its positioning in higher yielding names. Some of the securities jumped by more than 2 dollars and we saw a recovery in sovereign papers. The stickier names such as INVESTCORP 17 and DEWA 20 also helped to maintain performance as the trend reversed towards the end of the month. Nevertheless, the fund is ready for any scenario as its floaters will kick in should the Fed raise rates. At the same time, many of the credits such as Bahrain are improving which would help prices to recover in the near future as we get more clarity on the credit rating. We also expect diversification benefits from our Turkish exposure (currently 19%) following certainty from positive political elections and believe these to positively complement the portfolio in the near future. However the likelihood of extended monetary stimulus coupled with mediocre growth (remember we are still far from any recession) has set up the perfect scenario for bonds to do well.

Portfolio Composition



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	5.3%	1.9	16.5%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	9.3%	2.1	10.5%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	2.8%	4.3	7.9%

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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* (%)
October 2015	0.7	0.6
2015 (YTD)	2.7	3.1
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	-0.5	0.4
Last 6 Months	0.8	0.2
Last 1 Year	3.0	2.7
Since Inception (Apr 2013 – Oct 2015)	10.7	9.7
Duration (years)	3.0	5.0
Yield to maturity (%)	4.7	3.1
Coupon (%)	6.1	4.5
Spread (bps)	361	165

* Barclays EM GCC Index

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Investment Bank