SICO Fixed Income Fund

Factsheet - September 2015

NAV US$ 104.67 ⬇ 0.3%

Adjusted (for dividends) NAV US$ 109.92

Manager's Commentary

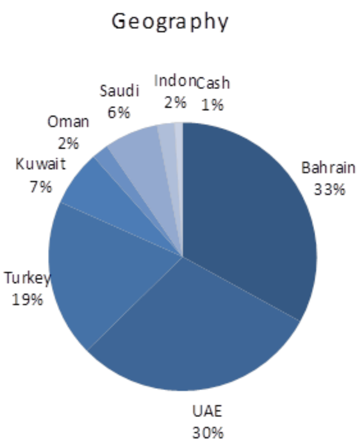
The fixed income portfolio dropped by -0.3% in September as the Barclays Sukuk Bond Index inched higher by 0.2%.

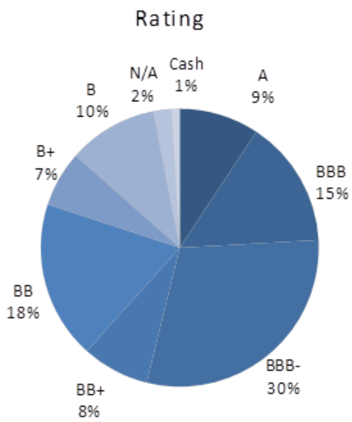
The portfolio has been feeling very heavy and bruised moving into September, especially after the volatility which we have experienced last month. Instead of a recovery, all we have seen is a mild stabilization in bond prices as they try to recover from their lows. Even the Fed's decision not to raise rates was not welcomed across the board as it has brought up more questions than answers. In this case, Fed Chair Janet Yellen had made it clear that in addition to low inflation and growth forecasts, she is also very worried about weakening credit fundamentals out of emerging markets. This has hurt large parts of the portfolio, especially the high yielders INVESTCORP 17 and ALBARAKA 23 have dragged down the performance this month. Even Government securities from the GCC have fallen, as the plunge in commodity prices has shocked a lot of Asian countries, especially those highly dependent on oil. Additionally, a lack of policy responses from GCC Governments to the drop in oil prices has also kept the pressure on bonds and sukuks and will continue to weigh on them in the future.

A lot of lot of investors have tried to remove risk from their portfolios during September and have begun so with outflows from emerging markets. In the GCC, only high quality securities such as those by the likes of Qatar and Abu Dhabi Government seem to have survived the drop in September. On the whole, the month was more credit-driven rather than a play on interest rates.

Nevertheless, we think that the selloff has been overdone as the probability of a default on GCC entities is still extremely low. It must be noted that portfolio has withstood most of the damages and negativity as it still remains in positive territory for the year and going forward should emerge even stronger as a lot of the names approach maturity. We also believe that there will be no rate hike this year given the latest set of data and probabilities have increased for a 2016 rate hike instead. As a result monetary policy will continue to be easy and will thus continue to benefit fixed income securities in general.

Portfolio Composition





Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	5.3%	1.9	16.7%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	8.8%	2.3	10.6%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	2.8%	4.3	8.0%

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* (%)
September 2015	-0.3	0.2
2015 (YTD)	1.9	2.5
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	-0.7	0.4
Last 6 Months	0.8	0.2
Last 1 Year	2.7	3.3
Since Inception (Apr 2013 – Sep 2015)	9.9	9.1
Duration (years)	3.0	4.9
Yield to maturity (%)	4.7	3.1
Coupon (%)	6.1	4.6
Spread (bps)	361	180

*** Barclays EM GCC Index**

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شركة الأوراق المالية والاستثمار ش.م.ب (م)
ص.ب: ١٣٣١، المنامة، مملكة البحرين
هاتف: ١٧٥١٥٠٠٠ ٩٧٣+ فاكس: ١٧٥١٤٠٠٠ ٩٧٣+
سجل تجاري رقم ٣٣٤٦٩

بنك استثماري SICO Investment Bank