SICO Fixed Income Fund

Factsheet - January 2016

NAV US$ 103.95 ⬇ 0.6%

Adjusted (for dividends) NAV US$ 109.20

Manager's Commentary

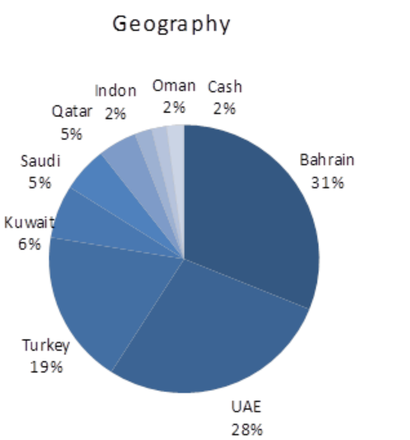
The SICO Fixed Income Fund dropped by 0.6% in January as markets had one of their worst starts to the year inspired by a slack in China and a plunge in oil prices. The Barclays GCC Bond Index ended the month down by 1.0%.

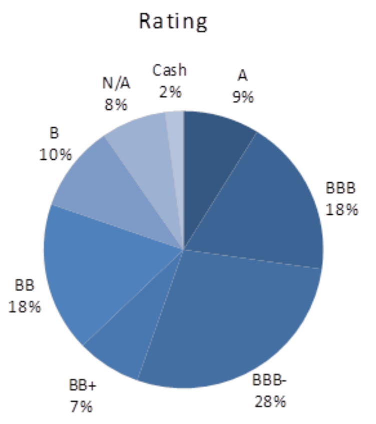
In January, oil prices dropped by more than 20% to $27.5; falling below the $30 psychological mark which sent a new shockwave around GCC markets. Oil prices are now down by some 70% since the peaks 15 months ago and are putting a huge strain on GCC economies. On average Saudi bonds are down by some 3 to 4 dollars, Bahrain is in a similar range, with Qatar and the UAE following suit, down by 2.5 dollars on average. Kuwait for the moment seems to be the most isolated, down by only 2 dollars.

The biggest risk for GCC markets is for oil to stay this low for a significant amount of time without any adjustments from local governments. Oil prices have already overtaken interest rates as the main dominant factor affecting local bonds and Sukuks. The fund however has already taken some adjustments to take capitalize on this environment by focusing on four main themes; namely, very short term bonds, capital structure anomalies, macroeconomic arbitrage and diversification. Nearly 20% of all our assets are going to mature in 2016 which provides us with protection and ample liquidity to deploy into higher yielding securities that are impacted by lower oil prices. We have also taken educated bets on subordinated bonds which are likely to get called back within the next years, returning back cash faster to investors. Around 20% of assets have also been diversified outside the GCC to take advantage of opportunities elsewhere. The floating rate exposure has also been increased this month to 18% as growth in the US is likely to warrant at least another one to two rate hikes this year.

Overall, the fund managed to increase its yield from 4.8% last month to 5.2% while preserving large parts of its capital during a chaotic month which optimally sets up the fund for the rest of the year.

Portfolio Composition





Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	5.6%	1.6	15.6%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	8.2%	5.6	10.0%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	3.3%	4.1	7.3%

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* (%)
January 2016	-0.6	-1.0
2016 (YTD)	-0.6	-1.0
2015	1.9	1.7
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	-1.4	-2.4
Last 6 Months	-1.9	-2.0
Last 1 Year	0.6	-1.5
Since Inception (Apr 2013 – Jan 2016)	9.2	7.1
Duration (years)	3.0	4.9
Yield to maturity (%)	5.2	3.8
Coupon (%)	5.8	4.6
Spread (bps)	424	251

*** Barclays EM GCC Index**

For further information contact fi@sicobahrain.com

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: ١٣٣١، المنامة، مملكة البحرين
هاتف: ٥٠٠٠ ١٧٥١ ٩٧٣+ فاكس: ٤٠٠٠ ١٧٥١ ٩٧٣+
سجل تجاري رقم ٣٣٤٦٩