

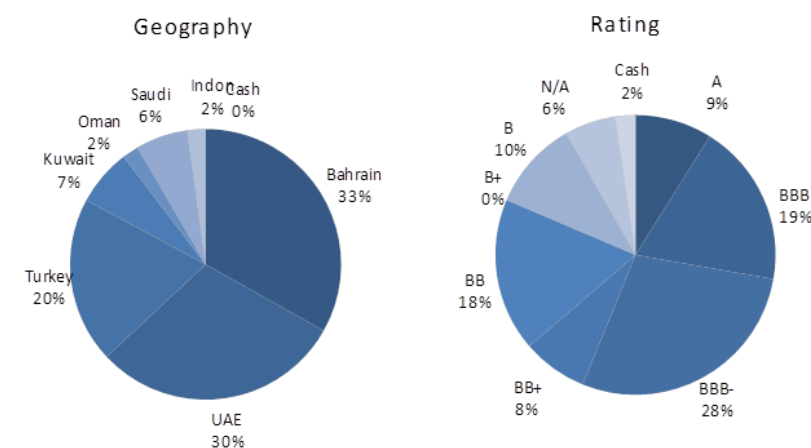
Manager's Commentary

The SICO Fixed Income Fund rallied by 1.1% as the Barclays GCC Bond Index rose by a modest 0.7%.

GCC fixed income investors got the best of both worlds as oil prices rallied to their highest point of the year and as the Fed left interest rates unchanged during their April FOMC meeting. The Fed signaled that it was in no rush to act despite improving financial conditions with the market assigning only a 19% probability for a rate hike in June. As a result the 10 year treasuries retraced by nearly 15bps to 1.75% in the last week of April. At the same time Brent has averaged \$42 in April from \$35 in March with confidence returning back to the region. The target for the end of the year by many economists has been \$50 which is another 7% from current levels as US oil production continues to deplete. This all attracted fresh buyers who did not expect oil prices to jump so fast and with ultra-loose monetary stimulus from Japan and the Eurozone helping the fixed income markets.

The portfolio was able to take advantage of the revived optimism with its overweight positions in the corporate and high yield sector which tend to do better in this environment. In particular, the real estate exposure outperformed, returning an average of 2% and contributed to nearly half of this month's performance. The remainder was down to security selection with two of the positions ending up in the top 10 performers of the month. Our strategy to select corporates with a good cash flow model has been paying off and we continue to expect spread compression in our sector holdings. The illiquidity premium on some of our holdings has also benefited us this month as the search for yield continues and with short covering pushing up the bonds. On the structured features, we continue to favor non-Basel 3 compliant bonds as these pay high coupons and have a higher probability to be called back earlier. Our strategy going forward is to focus on providing consistent returns and reducing correlation with interest rates.

Portfolio Composition



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	5.1%	1.5	15.4%
ALBARAKA TURK 7 ¼ 05/07/23	B	7.8%	8.7%	1.9	10.0%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	3.0%	3.9	7.2%

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)
صوب: المنطقة، 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* (%)
April 2016	1.1	0.7
2016 (YTD)	2.4	2.8
2015	1.9	1.7
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	3.1	3.9
Last 6 Months	1.7	1.4
Last 1 Year	2.4	1.6
Since Inception (Apr 2013 – April 2016)	12.6	11.2
Duration (years)	2.4	5.1
Yield to maturity (%)	4.3	3.4
Coupon (%)	5.8	4.6
Spread (bps)	347	205

* Barclays EM GCC Index

For further information contact fi@sicobahrain.com