

SICO Fixed Income Fund Class A

Factsheet - August 2016

NAV US\$ 106.51 ↑ 0.9%
Adjusted (for dividends) NAV US\$ 114.26

Manager's Commentary

The SICO Fixed Income Fund had a good month and rose by 0.9% in line with the Barclays GCC Bond Index which also rose by 0.9%.

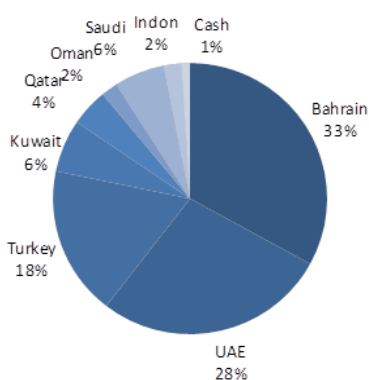
The demand for GCC bonds and Sukuks rose again in August on the back of higher oil prices and a lack of new issuances which has been supporting and pushing up the prices of local debt. The appetite for longer term fixed income securities have also strengthened following poor US GDP figures and a deterioration in inflation prospects. Also with doubts still hanging over Europe and Japan, and possible BREXIT concerns, the expectations of prolonged ultra-low interest rates have pushed global yields more into negative territory and have forced investors into foreign securities such as those in the GCC.

The portfolio took advantage of this trend by holding a mix of investment grade and non-investment grade bonds with the latter particular thriving in a low inflation environment. High yield has also done well in general with investors continuing to chase yield amidst low interest rates. Our largest holding Investcorp 17 also hit a high during month with the remainder of the performance coming from spread and valuation trades. Further, better debt management and fiscal policy by some of the issuers have increased the upgrade potential for certain bonds in the portfolio.

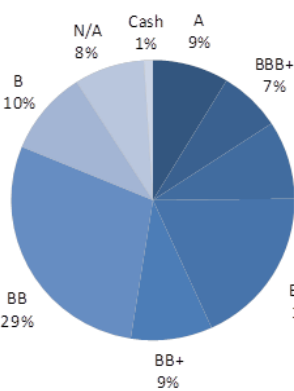
At the same time our Turkish assets also recovered by 1.5 dollars having survived a rating downgrade and backed by an improved political outlook. Turkish CDS rates for example have improved to 300 basis points while the Turkish lira recovered to 2.95 since the coup attempt thus improving its ability to service its foreign denominated debt. However most of the Turkish Sukuks are still 2-3 dollars below their peaks and could lead to further price appreciation with a reduction of political risk in sight. At the same time the portfolio will continue to remain skewed towards short duration bonds looking to capitalize on a possible hike in US interest rates by December and re-invest maturing bonds into higher yielding securities and thus further improve returns.

Portfolio Composition

Geography



Rating



| Top Holdings | Rating | Coupon | Yield | Duration | Allocation |
|----------------------------|--------|--------|-------|----------|------------|
| INVESTCORP 8 ¼ 11/01/17 | BB | 8.3% | 1.9% | 1.1 | 15.5% |
| ALBARAKA TURK 7 ¾ 05/07/23 | B | 7.8% | 8.1% | 5.2 | 9.7% |
| DEWAAE 7 3/8 10/21/20 | BBB+ | 7.4% | 2.6% | 3.6 | 7.1% |

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* (%) |
|---------------------------------------|----------|----------------|
| August 2016 | 0.9 | 0.9 |
| 2016 (YTD) | 4.9 | 6.7 |
| 2015 | 1.5 | 1.7 |
| 2014 | 8.4 | 6.8 |
| 2013 (Apr - Dec 13) | -1.0 | -0.4 |
| Last 3 Months | 1.8 | 3.8 |
| Last 6 Months | 4.5 | 5.9 |
| Last 1 Year | 4.5 | 6.1 |
| Since Inception (Apr 2013 – Aug 2016) | 14.3 | 15.5 |
| Duration (years) | 2.6 | 5.4 |
| Yield to maturity (%) | 3.7 | 3.0 |
| Coupon (%) | 5.9 | 4.4 |
| Spread (bps) | 290 | 177 |

* Barclays EM GCC Index

For further information contact fi@sicobahrain.com

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Investment Bank

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