SICO Fixed Income Fund Class A
Factsheet - December 2016

NAV US$ 107.33 ⬆ 0.4%
Adjusted (for dividends) NAV US$ 115.08

Manager's Commentary

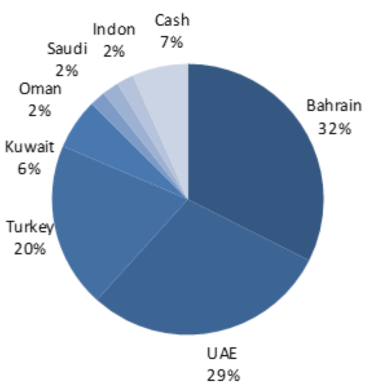
The fixed income fund recorded another month of positive performance after rising by 0.4% in December compared to the 0.3% generated by the Barclays GCC Bond USD Index.

On an annual basis the fund returned 5.7% in 2016 versus 4.8% by its benchmark, making it the third consecutive year of positive performance. The fund also embarked to outperform its index for the second complete year since inception despite its defensive positioning with the fund targeting consistent and sustainable returns whilst offering liquidity and preserving capital. In what proved to be a challenging year which included BREXIT, the Turkish Coup attempt, Trump winning the US elections and oil prices plunging to below $30, the fund stuck to its prudent investment style and conservative approach to deliver positive and sustainable returns. Specifically, the fund's high yield and spread positioning strategies have been the main attributes to the performance this year whilst maintaining a lower duration (2.9 vs 5.7 by the index) has also helped reduce exposure to credit and interest rate events.

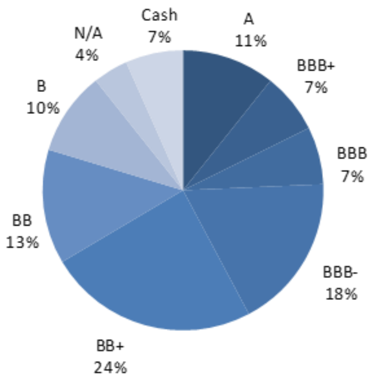
The fund's floating rate notes have also made a comeback towards the latter end of the year while selective bets towards Bahrain and Turkey have also paid off. Elsewhere the Federal Reserve hiked rates from 0.25% to 0.50% in December while speculation on President elect Trump's policies continued to dominate the longer end of the curve. While rising US rates and a steepening yield curve is the consensus call for 2017, US fiscal stimulus, direction of oil prices and changes to European monetary policy will have an impact on bond prices. We would most likely start the year with relatively short duration and then navigate from there based on how events unfold. In any case, our overlay strategies which include taking advantage of new issue premiums and capital structure anomalies combined with spread valuations will look to generate positive returns unrelated to market movements.

Portfolio Composition

Geography



Rating



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
BHRAIN 5.624 02/12/24	BB+	5.6%	5.1%	5.9	14.8%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	9.1%	1.3	9.6%
DEWAAE 7 3/8 10/21/20	BBB+	7.4%	2.8%	3.3	6.9%

Investment Objective

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* (%)
December 2016	0.4	0.3
2016 (YTD)	5.7	4.8
2015	1.5	1.7
2014	8.4	6.8
2013 (Apr - Dec 13)	-1.0	-0.4
Last 3 Months	0.5	-1.7
Last 6 Months	1.7	0
Last 1 Year	5.7	4.7
Since Inception (Apr 2013 – Dec 2016)	15.1	13.4
Duration (years)	2.9	5.7
Yield to maturity (%)	4.3	3.6
Coupon (%)	5.2	4.3
Spread (bps)	278	170

*** Barclays EM GCC Index**

For further information contact fi@sicobahrain.com

Securities and Investment Company BSC (c) claims compliance with the Global Investment Performance Standards (GIPS®). Securities and Investment Company BSC (c) (also known as SICO) is a closed joint stock company registered in Bahrain and operates a wholesale banking license from the Central Bank of Bahrain. The company is registered with the Ministry of Industry and Commerce and is listed on the Bahrain Stock Exchange as a closed company. To receive a list of composite descriptions and/or a presentation that complies with the GIPS standards, write to fi@sicobahrain.com, or call 973 17 515000.

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هاتف: ٥٠٠٠ ١٧٥١ ٩٧٣+ فاكس: ٤٠٠٠ ١٧٥١ ٩٧٣+
سجل تجاري رقم ٣٣٤٦٩

SICO Fixed Income Fund Class B

Factsheet - December 2016

NAV US$ 108.43 ⬆ 0.4%

Adjusted (for dividends) NAV US$ 116.18

Manager's Commentary

The fixed income fund recorded another month of positive performance after rising by 0.4% in December compared to the 0.3% generated by the Barclays GCC Bond USD Index.

On an annual basis the fund returned 6.0% in 2016 versus 4.8% by its benchmark, making it the third consecutive year of positive performance. It has also been the thirds successive year of outperforming the index despite its defensive positioning with the fund targeting consistent and sustainable returns whilst offering liquidity and preserving capital. In what proved to be a challenging year which included BREXIT, the Turkish Coup attempt, Trump winning the US elections and oil prices plunging to below $30, the fund stuck to its prudent investment style and conservative approach to deliver positive and sustainable returns. Specifically, the portfolio's high yield and spread positioning strategies have been the main attributes to the performance this year whilst maintaining a lower duration (2.9 vs 5.7 by the index) has also helped reduce exposure to credit and interest rate events.

The fund's floating rate notes have also made a comeback towards the latter end of the year while selective bets towards Bahrain and Turkey have also paid off. Elsewhere the Federal Reserve hiked rates from 0.25% to 0.50% in December while speculation on President elect Trump's policies continued to dominate the longer end of the curve. While rising US rates and a steepening yield curve is the consensus call for 2017, US fiscal stimulus, direction of oil prices and changes to European monetary policy will have an impact on bond prices. We would most likely start the year with relatively short duration and then navigate from there based on how events unfold. In any case, our overlay strategies which include taking advantage of new issue premiums and capital structure anomalies combined with spread valuations will look to generate positive returns unrelated to market movements.

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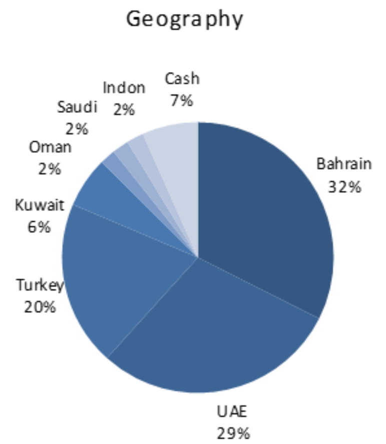

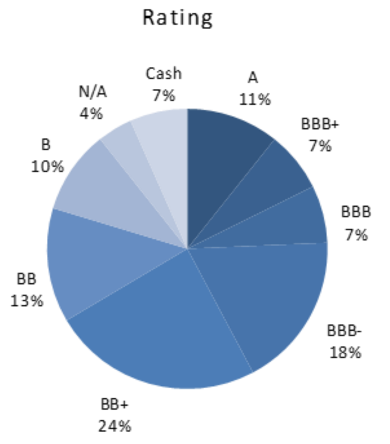

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سجل تجاري رقم ٣٣٤٦٩

بنك استثماري Investment Bank sico