

Manager's Commentary

The SICO Fixed Income Fund rose by 0.1% July compared to 1.1% by the Barclays GCC Bond Index.

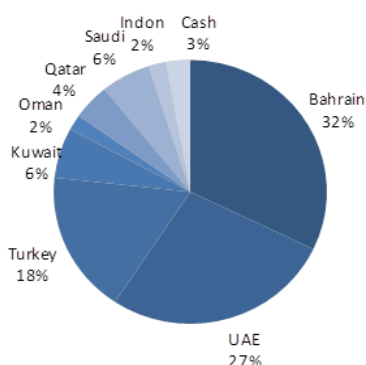
GCC fixed income markets went on a buying spree ever since the BREXIT vote with major European Government bonds dropping to as low as zero with 10-year treasuries trading below 1.36% during the month. The uncertainty and outlook for weaker/negative growth has sparked a frenzy for safe-haven securities with investors predicting more aggressive easing within the EU, the UK, Japan and treasury swaps not pricing in a rate hike until 2018. The average yield of local bonds and Sukuks has now dropped to 3.1%, its lowest point of the year despite a weak pull from fundamentals. Oil prices plummeted 15% during the month following higher than expected US inventories.

The fund managed to maintain its stable performance and rose for a sixth month in a row benefitting from an increased appetite for fixed income securities. The expected carry resulting from anticipated Central Bank responses pushed most of the fund's GCC government bonds and corporates higher. The high yielders were up by at least two dollars during July, while long duration outperformed shorter duration bonds. The fund however fell short of the benchmark due to its 18% exposure to Turkey which witnessed a sharp drop in prices following a failed coup attempt to overthrow the government. Overall, the fund's Turkish assets had a negative 0.6% effect on the net asset value. We however remain constructive on a recovery in our Turkish positions as a majority of the funds holding have a strong GCC shareholder base and were merely caught up in the turmoil and could potentially be immune to downgrades.

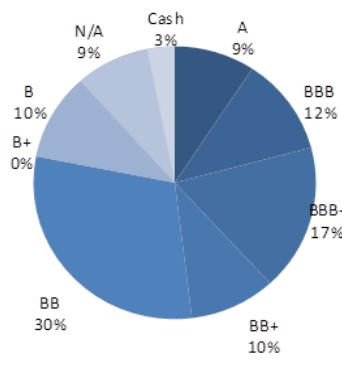
Going forward, the GCC faces an influx of new debt entering the market while oil supply is expected to resume its rebalancing act. At the same time, the US face a delicate impasse between domestic strengths and international weaknesses. Given the lack of clarity, we will continue to focus on names that have a low beta to treasuries and oil prices in order to deliver performance.

Portfolio Composition

Geography



Rating



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	3.3%	1.2	15.0%
ALBARAKA TURK 7 ¾ 05/07/23	B	7.8%	8.2%	5.2	9.6%
DEWAAE 7 3/8 10/21/20	BBB+	7.4%	2.6%	3.7	7.0%

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* (%)
July 2016	0.1	1.1
2016 (YTD)	4.0	5.8
2015	1.9	1.7
2014	8.8	6.8
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	1.5	3.0
Last 6 Months	4.6	6.9
Last 1 Year	2.7	4.7
Since Inception (Apr 2013 – July 2016)	14.3	14.5
Duration (years)	2.6	5.4
Yield to maturity (%)	3.9	3.1
Coupon (%)	5.7	4.4
Spread (bps)	324	198

* Barclays EM GCC Index

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بنك استثماري sico
Investment Bank

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