

SICO Fixed Income Fund Class A

Factsheet - June 2016

NAV US\$ 108.00 ↑ 0.9%
Adjusted (for dividends) NAV US\$ 113.13

Manager's Commentary

The SICO Fixed Income Fund rose by 0.8% in June compared to 1.8% by the Barclays GCC Bond Index.

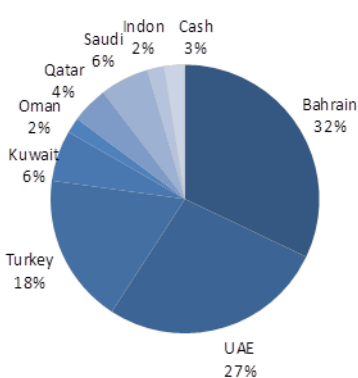
Global bonds rallied following the UK's referendum to leave the European union as investors shifted into safe haven securities with swap markets not pricing in a hike until 2018 now compared to one hike in 2016 previously. The Brexit vote has also raised concerns over the global economic growth outlook and the risk remains that other EU members may exit as well. As a result the 10-year treasury dropped to as low as 1.40% during the month. In addition, anticipated policy responses in the UK and Europe have pushed yields further into negative territory thus forcing investors into foreign markets and USD denominated debt elsewhere.

The portfolio has benefitted a lot from the current situation for two main reasons. Firstly, most of the securities in the portfolio are insulated or less vulnerable to trading with Europe. Secondly, the local bonds have been benefiting from lower rates for longer coupled with expected aggressive easing from the UK, Europe and Japan. This has particularly helped our high yielders outperform due to the carry advantage that lower rates have brought along with it. However, the portfolio still fell short of the benchmark due to its low duration. The portfolio was not positioned for a BREXIT vote as the move would have been too aggressive given the probabilities at the time. Nevertheless, the portfolio was able to compensate for the unexpected situation through its Turkish securities in June which perform ideally in an easing environment.

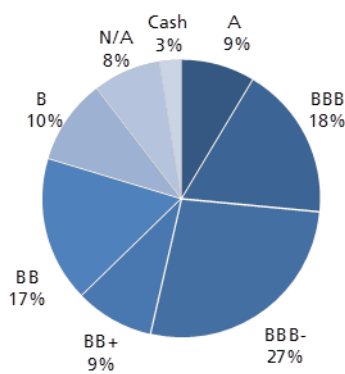
Going forward, the portfolio remains conservatively positioned as we await data from the Federal Reserve who may still opt for a rate hike in 2016 should the UK situation remain contained. Global low yields has left markets vulnerable to potentially large capital losses if yields march higher. In such a case of dispersion we would prefer medium term bonds.

Portfolio Composition

Geography



Rating



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	2.9%	1.2	15.1%
ALBARAKA TURK 7 ¼ 05/07/23	B	7.8%	7.5%	1.7	9.9%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	2.7%	3.7	7.0%

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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* (%)
June 2016	0.9	1.8
2016 (YTD)	3.8	4.8
2015	1.5	1.7
2014	8.4	6.8
2013 (Apr - Dec 13)	-1.0	-0.4
Last 3 Months	2.5	2.6
Last 6 Months	3.8	4.8
Last 1 Year	2.9	4.3
Since Inception (Apr 2013 – June 2016)	14.2	13.3
Duration (years)	2.3	5.4
Yield to maturity (%)	3.9	3.2
Coupon (%)	5.8	4.4
Spread (bps)	319	213

* Barclays EM GCC Index

For further information contact fi@sicobahrain.com

Investment Bank **sico**

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