

SICO Fixed Income Fund

Factsheet - May 2016

NAV US\$ 107.96 ↑ 0.6%
Adjusted (for dividends) NAV US\$ 113.21

Manager's Commentary

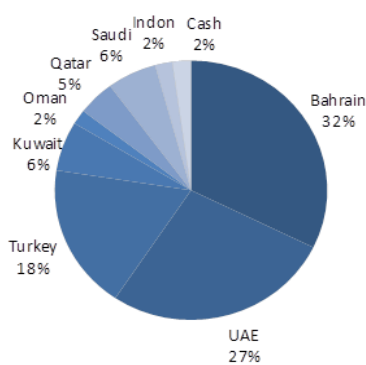
The SICO Fixed Income Fund rose by 0.6% in May significantly outperforming the Barclays GCC Bond Index which remained relatively flat throughout most of the month.

The month of May saw a continuation of the risk-on sentiment seen in April, with oil leading commodities higher and treasuries continuing to be well in demand. The 10-year US Treasuries dropped to as low as 1.70% whilst oil was comfortably trading above \$50. At the same time GCC fixed income markets were gearing up for a probable rate hike in June whilst investors also had to embrace themselves for a potential BREXIT scenario at the end of the month. The above along with the influx of new supply from local government issuances by the likes of Abu Dhabi and Qatar has kept the GCC fixed income market under pressure to rally further. Payrolls data which came out at the end of May was unexpectedly weak, ultimately denting any chances for a June or July rate hike.

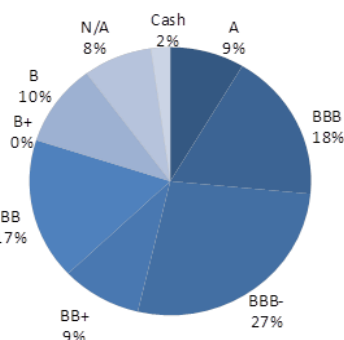
The fund nevertheless has remained fairly resilient amongst the array of international activity and continued its upward trend. The outperformance can be mainly attributed to real estate exposure as well as its Bahrain exposure along with the floating rate exposure. We have held a positive view of high yield credit since late 2015, primarily because the sell-off earlier in the year pushed spreads to quite wide levels by historical standards, ones rarely seen outside of recession. Against the backdrop of very low yields on many global government bonds, we think the relatively high coupon on offer in high yield will continue to attract interest from many investors. Meanwhile, the region has been finding some stability as oil prices near the end of their multi-year bear market which has led us to increase our exposure to this sector with an end-of-year target of \$57. We expect that the fund will continue to generate performance from its individual security selections which have a strong focus on corporates with good balance sheet management and good access to the financial markets.

Portfolio Composition

Geography



Rating



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.0%	1.3	15.2%
ALBARAKA TURK 7 ¼ 05/07/23	B	7.8%	7.7%	1.8	9.9%
DEWAAE 7 3/8 10/21/20	BBB	7.4%	2.9%	3.8	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* (%)
May 2016	0.6	0.0
2016 (YTD)	3.1	2.9
2015	1.9	1.7
2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	2.6	2.0
Last 6 Months	3.3	2.8
Last 1 Year	2.2	1.6
Since Inception (Apr 2013 – May 2016)	13.2	11.3
Duration (years)	2.4	5.4
Yield to maturity (%)	4.2	3.4
Coupon (%)	5.8	4.4
Spread (bps)	324	213

* Barclays EM GCC Index

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بنك استثماري sico
Investment Bank

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