

SICO Fixed Income Fund Class A

Factsheet - October 2016

NAV US\$ 107.52 ↑ 0.7%
Adjusted (for dividends) NAV US\$ 115.27

Manager's Commentary

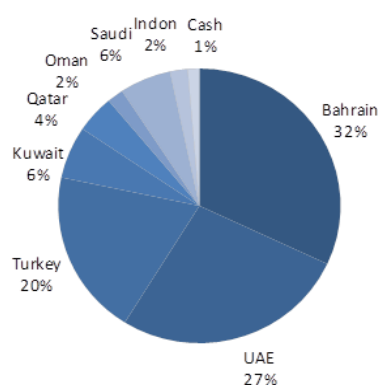
The SICO Fixed Income Fund has recorded another month of positive performance after rising 0.7% in October while the Barclays GCC Bond Index ended the month unchanged and flat at 0%.

In October, the fixed income portion still managed to push strong despite a 20 basis point jump in 10 year treasuries to 1.8% following strong US labor data and an ease in BREXIT concerns. Oil prices also dropped by 1.5% to \$48.3 as traders began to lose confidence in OPEC's ability to implement its supply cut strategy at their next meeting in November. In particular, inflationary pressures in the US have also picked up as recent CPI figures have shown the fastest acceleration over the last year. The internal inflation measure which the Fed tracks currently stands at 1.7% and is therefore just shy of their 2.0% target. Elsewhere the GCC issued a record amount of debt during October estimated to be over \$20 billion including Saudi Arabia and Bahrain, thereby adding nearly 10% to outstanding GCC debt supply. The portfolio was however able to take advantage of these changing market dynamics by focusing on two main themes, namely valuations and "off-the-run" securities.

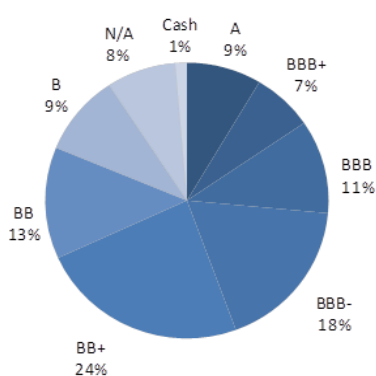
During the month we purchased the new Bahrain 2024s and increased allocations to 15% on the back of attractive pricings (highest yielding Government Sukuk) coupled with high demand (3.5 oversubscribed). The wager paid off as these securities rose by 3 dollars and largely contributed to the positive outperformance of the portfolio this month. The same worked also for the new KFINK 21s which rose by 75 cents on the back off attractive spreads and was also added to the portfolio this month. For the time being we prefer short term bonds and "off the run" securities from the UAE and Bahrain which offer protection and yield during an uncertain environment. We have also shifted focus to include more Sukuks in the portfolio as they tend to outperform during volatile periods as we head into the US elections and the FOMC meeting in December. Another strategy that is poised to make a comeback are floating rate bonds as the Fed gears up to increase interest rates. The portfolio currently has more than 15% allocated to this strategy. Also with probabilities of a rate hike in December at 78%, the highest level of the year so far, we see more buying opportunities as 10-year treasuries move to the 2.25% to 2.50% range.

Portfolio Composition

Geography



Rating



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
BHRAIN 5.624 02/12/24	BB+	5.6%	5.1%	6.0	14.7%
ALBARAKA TURK 7 ¼ 05/07/23	B	7.8%	8.7%	1.4	9.5%
DEWAAE 7 3/8 10/21/20	BBB+	7.4%	2.5%	3.5	7.0%

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* (%)
October 2016	0.7	0.0
2016 (YTD)	5.9	6.6
2015	1.5	1.7
2014	8.4	6.8
2013 (Apr - Dec 13)	-1.0	-0.4
Last 3 Months	1.8	0.8
Last 6 Months	3.4	3.7
Last 1 Year	5.0	5.2
Since Inception (Apr 2013 – Oct 2016)	15.3	15.4
Duration (years)	2.9	5.9
Yield to maturity (%)	3.8	3.2
Coupon (%)	5.5	4.3
Spread (bps)	286	177

* Barclays EM GCC Index

For further information contact fi@sicobahrain.com

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SICO Fixed Income Fund Class B

Factsheet - October 2016

NAV US\$ 108.58 ↑ 0.7%
Adjusted (for dividends) NAV US\$ 116.33

Manager's Commentary

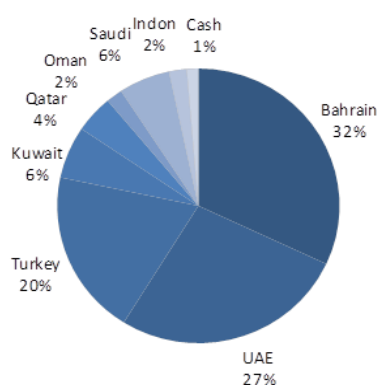
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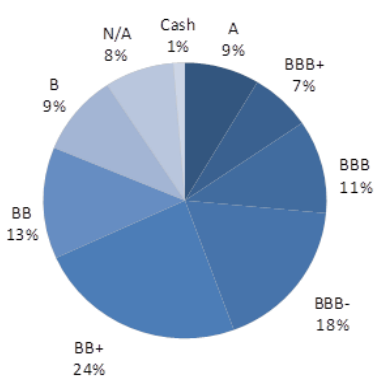
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