

Manager's Commentary

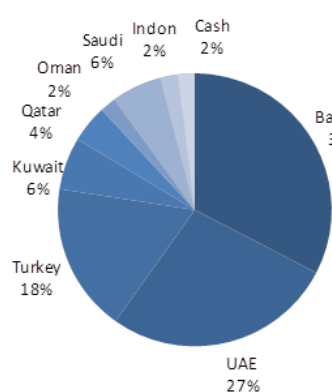
The SICO Fixed Income Fund had a good month and rose by 0.3% while the Barclays USD GCC Bond Index fell by 0.1% which further highlights the defensive nature of the fund's positioning which tends to outperform and protect on the downside.

The fixed income fund was able to capitalize on changing market trends as the GCC bond market headed towards its first negative month since January this year. A fresh supply of debt coupled with tight yields has elevated the selling pressure on the prices of certain bonds and Sukuks. Additionally, profit-taking ahead of quarter-end and the prospect of further issues down the line meant that the fund was selective in its investments and avoided parts of the curve that were oversupplied. For instance, our underweight to Oman has contributed to positive outperformance as bonds of the Sultanate dropped by 1-2 dollars after being forced to tap its new issues at a higher yield than current market levels. Bahrain was also in a similar position, albeit to a lesser extent as the Kingdom prepares for a dual-tranche set for the beginning of October. Elsewhere, Saudi Arabia sold off following the implementation of new austerity measures to reduce its budget deficit which also temporarily spiked volatility in the Saudi Riyal and took its toll on investor sentiment in the region.

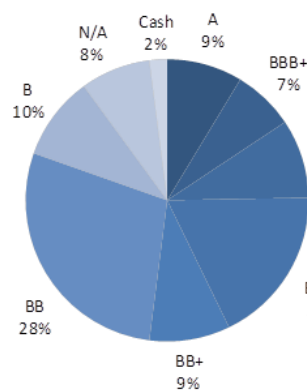
A large part of the outperformance this month can be attributed to the funds' diversified strategy as Turkey made a comeback following more clarity on its credit and a reduction in political risk. In addition the fund's skew towards short duration, the part of the curve most sensitive to interest rate policy, also played to its advantage as the Fed held off a rate hike in September and pushed treasury yields lower by 10bps. Below average inflation and a lack of wage growth were the main reasons why the Federal Reserve did not raise rates this month, despite continuous improvements in the labor market. However the fund's floating rate exposure was still able to benefit from this move as bonds got re-priced at lower yields and pushed up prices. Going forward we look to rotate into positions where we expect spreads to compress while reducing exposure to money market yielding securities. Bahrain may offer an attractive entry-point post the new debt along with Saudi Arabia, especially when considering that oil prices have risen to above \$50 a barrel. At the same time, the fund is prepared for a December rate hike and will remain liquid to take advantage of any opportunities that may arise from bonds re-pricing.

Portfolio Composition

Geography



Rating



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	2.0%	1.0	15.2%
ALBARAKA TURK 7 ¼ 05/07/23	B	7.8%	8.1%	1.4	9.6%
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* (%)
September 2016	0.3	-0.1
2016 (YTD)	5.4	6.6
2015	1.9	1.7
2014	8.8	6.8
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	1.3	1.8
Last 6 Months	4.0	4.4
Last 1 Year	5.4	5.8
Since Inception (Apr 2013 - Sep 2016)	15.6	15.5
Duration (years)	2.1	5.3
Yield to maturity (%)	3.4	3.0
Coupon (%)	5.8	4.4
Spread (bps)	278	185

* 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.

Securities & Investment Company BSC (c)
P.O. Box 1331, Manama, Kingdom of Bahrain
Tel: +973 1751 5000 Fax: +973 1751 4000
CR No: 33469

شركة الأوراق المالية والاستثمار ش.م.ب (م)
صوب: ١٣٣١، المنامة، مملكة البحرين
هاتف: +٩٧٣ ١٧٥١ ٥٠٠٠ فاكس: +٩٧٣ ١٧٥١ ٤٠٠٠
سجل تجاري رقم ٣٣٤٦٩

بنك استثماري sico
Investment Bank

This report should not be considered an offer to sell, or a solicitation to buy, shares mentioned herein. Past performance is no indication of future results. Fund historical performance does not promise the same or similar results in the future. Principal value, share prices and investment returns fluctuate with changes in market conditions. The information contained herein has been compiled from sources believe to be reliable, however Securities & Investment Company ("SICO") does not guarantee its accuracy or completeness. Opinions, forecasts and estimates constitute our judgment as of the date of this report and are subject to change without notice. This report is not a solicitation of an order to buy or sell securities or to provide investment advice or service. SICO or its affiliates may from time to time engage in long or short positions in the securities mentioned herein. SICO or its affiliates may act as principal, agent or market maker or provide other services to the issuers of securities mentioned herein. This report is provided for information purposes only and may not be copied or distributed to any other person without the prior written consent of SICO.