

SICO Fixed Income Fund Class A

Factsheet - June 2017

NAV US\$ 108.04 ↓ 0.4%
Adjusted (for dividends) NAV US\$ 118.29

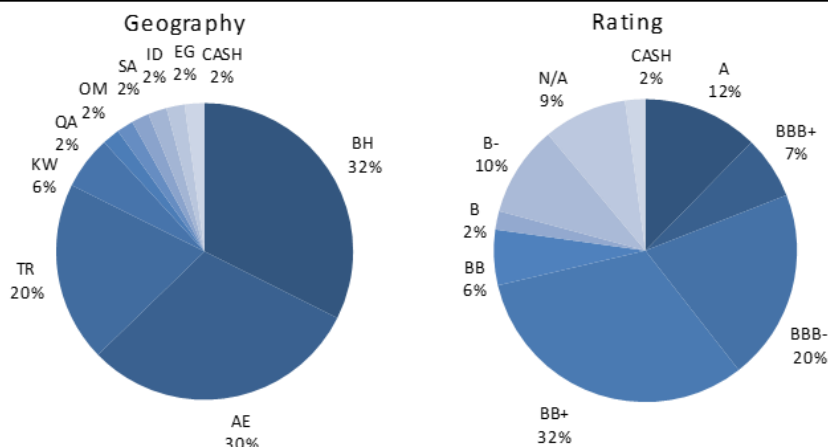
Manager's Commentary

The SICO Fixed Income Fund outperformed its benchmark in June as it dropped by 0.4% compared to a 0.7% plunge by the Barclays GCC USD Bond Index.

It was the first negative month for GCC fixed income this year as an escalating diplomatic crisis between GCC member states surrounding Qatar triggered a sell-off in the prices of local bonds and Sukuks. The Qatari sovereign curve, which used to be the lowest yielding in the GCC rose by over 35 basis points while corporate bonds were hit worse and dropped by as much as 10 dollars. The selling pressure was also fueled by yet another rate hike from the Federal Reserve, its third in as little as six months, amidst softer inflation data and fading fiscal policy hopes while oil prices continued to decline. Markets were also left unnerved as Fed officials expressed the possibility of unwinding its balance sheet by the end of the year, thus removing another form of stimulus which helped keep a lid on rates since the financial crisis.

The fund was however able to maintain its ground due to its under-allocation to Qatar (2% versus 23% by the benchmark) and overweight in low duration bonds (3.0 vs. 5.9) which helped it to protect most of its gains for the year. Our income-generating strategies paid off by focusing on high-yielders and perpetuals while our floating rate bonds also received a boost from the rate hike in June. This carry-strategy is likely to last till the end of the year which is when we would expect the next rate hike by the Fed. We also increased our allocation to non-investment grade bonds as the current environment of reasonable growth and low inflation, backed by accommodating central banks is still supportive of fixed income, in particular risk assets. Going forward, we continue to see opportunities from newly issued debt, short term corporates, government GREs and a relief rally in Qatari assets.

Portfolio Composition



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
BHRAIN 5.624 02/12/24	BB+	5.6%	5.1%	5.5	14.2%
ALBARAKA TURK 7 ¼ 05/07/23	B	7.8%	8.6%	0.8	9.5%
DEWAAE 7 3/8 10/21/20	BBB+	7.4%	2.5%	3.0	6.6%

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* (%)
June 2017	-0.4	-0.7
2017 (YTD)	3.1	3.1
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (Apr - Dec 13)	-1.0	-0.4
Last 3 Months	0.9	0.8
Last 6 Months	3.1	3.1
Last 1 Year	4.8	3.1
Since Inception (Apr 2013 - June 2017)	18.6	16.9
Duration (years)	3.0	5.9
Yield to maturity (%)	4.5	3.7
Coupon (%)	5.7	4.3
Spread (bps)	253	171

* Barclays EM GCC Index

For further information contact fi@sicobahrain.com

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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: المنامة، مملكة البحرين
هاتف: +973 1751 5000 فاكس: +973 1751 4000
سجل تجاري رقم 33469

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SICO Fixed Income Fund Class B

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NAV US\$ 109.34 ↓ 0.4%
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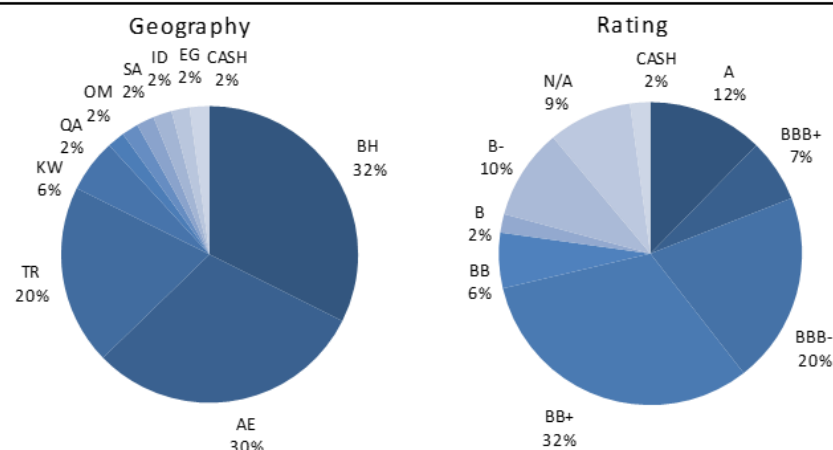
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