

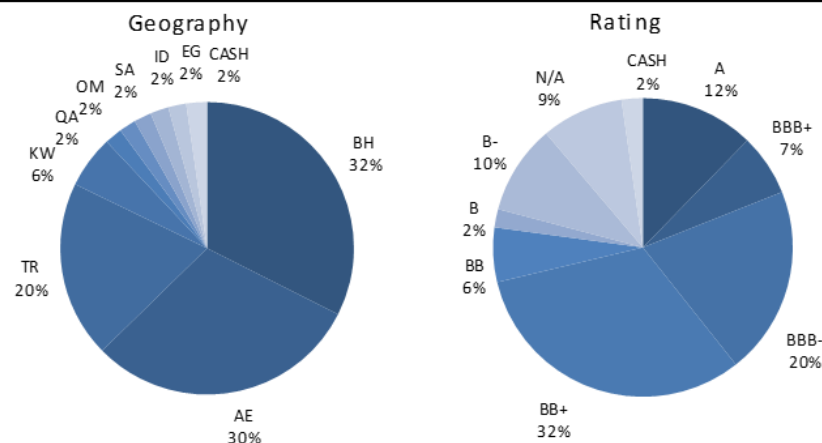
Manager's Commentary

The SICO Fixed Income Fund continued its positive performance increasing for the fifth time this year, rising by 0.7% in May closely tracking the 0.7% generated by the Barclays GCC Bond Index.

Fixed income markets continued their rally this month as benchmark 10-year treasuries dropped for the fourth time in a row to 2.20% ahead of lackluster data and increasingly growing political concerns within the US. The bond market, which went all-in on the reflation trade after Donald Trump's election, is also growing more skeptical about the sustainability of higher inflation despite promises of cutting US corporate taxes from 35 to 15 per. cent. At the same time, US inflation dropped from a 2.7% high in February to 2.2% last month. Interestingly, investors have already almost fully priced in a June rate hike with attention already shifting towards the Fed unwinding its balance sheet at the end of the year. Overvalued equity markets around the world also contributed to the rise in bond prices as investors took to buy protection and hedge their positions. Even in a lower-yielding environment, the diversification premises of holding bonds still holds true.

The fund took advantage of the trend by taking credit over duration risk with its high yielding positions being able to carry through a period of lower rates. A lack of new GCC issuances during the month which saw only \$ 2 billion added in May also meant that the same securities were being repurchased thus pushing up prices. Confidence also returned to Bahrain, Saudi and Oman following a new OPEC deal to extend production cuts till the 1st quarter of 2018 however it did little to sway oil prices higher. The fund's overweight in Bahrain, particularly the 24s contributed positively after reaching a high on the last day of the month. The fund also took advantage of new issuances which added nearly 0.2% to performance this month with credit spreads on new bonds still offering generous premiums. The ALBARAKA 23s, nearly 10% of the fund, also received a boost after its parent company, Albaraka Banking Group issued a perpetual, increasing hopes that the group could now add further support to its subsidiary. Overall the fund remains strongly diversified and has recently increased its floating rate exposure from 6 to 8 per cent. to capitalize on higher rates in the future. We also remain liquid with a duration of only 3.0 years compared to the benchmark's 6.0 putting it in a better position to benefit from any short term dislocations due to rising rates.

Portfolio Composition



| Top Holdings | Rating | Coupon | Yield | Duration | Allocation |
|------------------------------|--------|--------|-------|----------|------------|
| BHRAIN 5.624 02/12/24 | BB+ | 5.6% | 4.8% | 5.6 | 14.4% |
| ALBARAKA TURK 7 3/4 05/07/23 | B | 7.8% | 8.3% | 0.9 | 9.5% |
| DEWAAE 7 3/8 10/21/20 | BBB+ | 7.4% | 2.5% | 3.1 | 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* (%) |
|---------------------------------------|----------|----------------|
| May 2017 | 0.7 | 0.7 |
| 2017 (YTD) | 3.5 | 3.8 |
| 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 | 1.8 | 1.8 |
| Last 6 Months | 3.9 | 4.1 |
| Last 1 Year | 6.2 | 5.7 |
| Since Inception (Apr 2013 – May 2017) | 19.1 | 17.7 |
| Duration (years) | 3.0 | 6.0 |
| Yield to maturity (%) | 4.3 | 3.5 |
| Coupon (%) | 5.7 | 4.3 |
| Spread (bps) | 240 | 157 |

* 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.

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SICO Fixed Income Fund Class B

Factsheet - May 2017

NAV US\$ 109.79 ↑ 0.7%
Adjusted (for dividends) NAV US\$ 120.04

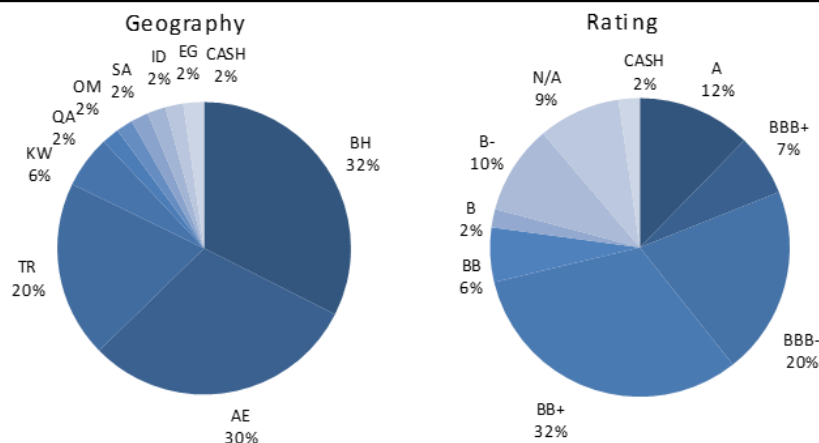
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