

Manager's Commentary

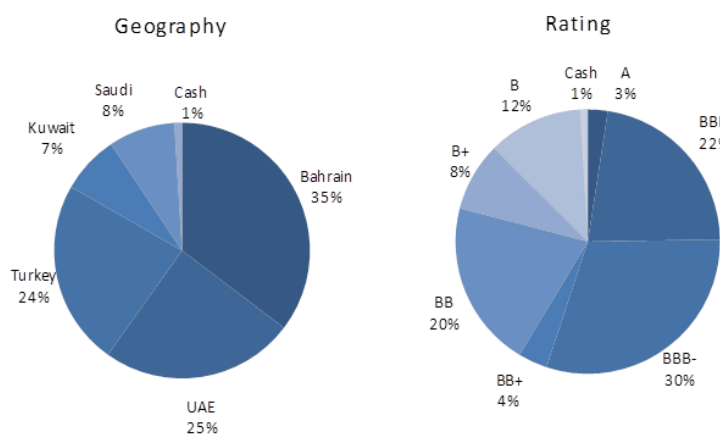
The SICO Fixed Income Fund posted a negative performance -0.9% for the month of December versus its benchmark return of -0.8%.

December witnessed high volatility the highest seen during 2014 with the Barclays EM GCC USD Bond index at one point in the month being down by 2%. US 10 Year Treasuries during the month sold off significantly as the yield reached 2.307% only to recover closer to year end to close at 2.172% which is almost unchanged from the close of November. GCC debt capital markets however didn't mirror the price action witnessed in US 10 Year treasuries as the precipitous fall in Oil continued in December. Both WTI and Brent plummeted to below USD53.27 and USD 57.33 respectively, which translates to a percentage drop for the month of 19.5% for WTI and 18.3% for Brent.

During the month of December we had the last Federal Reserve meeting for December. Federal Reserve Chair Janet Yellen suggested a "patient" approach to interest rate hikes. Yellen mentioned that a rate increase will not take place for at least the next couple of meetings. In terms of data, jobless claims during the month fluctuated between 2981k-298k which is marginally changed from last month. The CPI data dropped from the 1.7% level to 1.3%. The Fed minutes released confirmed that the Fed "might begin normalization at a time when core inflation is near current levels". Committee members also still saw the drop in energy prices as having a temporary impact on inflation, but were uncertain about the implications. The March meeting will be the next key focus given likely revisions to GDP and unemployment figures.

Turning to the fund, no new positions were added during December. The existing position composition proved superior as the fund outperformed the benchmark by 1.8% for the year. Performance was buoyed particularly by the Bahraini and Turkish names which proved to be key such as ABC which was up 8.9%, Batelco up 6.4%, Isbank 2018 rose by 1.8% and Albaraka up 6.2% thus contributing significantly to the Fund's outperformance.

Portfolio Composition



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	4.9%	2.5	17.9%
ALBARAKA TURK 7 ¼ 05/07/23	B	7.8%	7.8%	6.2	11.3%
DEWAAE 7 ¼ 10/21/20	BBB	7.4%	3.3%	4.9	8.3%

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Investment Objective and Strategy

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\$100,000
Custodian/ Administrator	HSBC Middle East
Registrar	HSBC Middle East

Fund Returns and Characteristics

	Fund (%)	Benchmark* (%)
December 2014	-0.9	-0.8
YTD (Jan - Dec) 2014	8.7	6.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	0.7	0.8
Last 6 Months	2.3	1.5
Last 1 Year	8.8	6.9
Since Inception (2nd Apr – 30th Nov 14)	7.8	6.4
Duration (years)	3.8	5.4
Yield to maturity (%)	4.5	3.1
Coupon (%)	6.6	4.7
Spread (bps)	315	158

* Barclays EM GCC Index

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