

SICO Fixed Income Fund

Factsheet - December 2013

NAV US\$ 99.22 ↑ -0.1%

Manager's Commentary

GCC debt markets ended the year on a quiet note, trading marginally up with the 10-Year US Treasury benchmark, yielding around 3% p.a. and in line with market consensus. December however witnessed significant volatility at the start of the month, closely tagging the Federal Reserve's announcement that the long awaited taper process would commence in January 2014, with a reduction in bond purchases of USD 10 bn., to USD 75 bn. and with the likelihood of further USD 10bn reduction at each subsequent FOMC meeting in 2014.

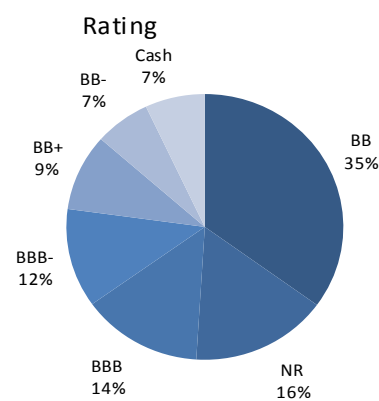
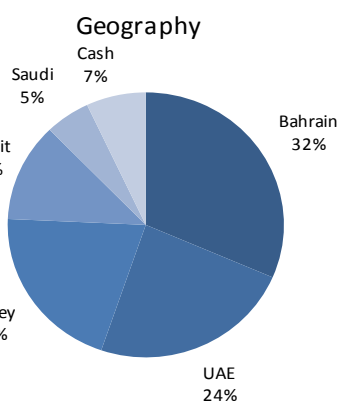
Despite the initial volatility, the HSBC ME Aggregate Index recovered, ending the month up by 0.1% with many regional and global bond and Sukuk traders going off-line during the second half of the month and leading up to year-end.

The SICO Fixed Income Fund ended the month down (-0.1%), underperforming the index by 0.2% mainly due to its Turkish exposure. Political issues hit the headlines once again as PM Erdogan replaced a number of key cabinet ministers, in response to a growing corruption scandal. The Fund's Turkish exposure totals 20% and includes mainly short duration names with solid credit fundamentals including Is Bankasi '18 and AK Lease Bank '18. When combined, both positions contributed 0.25% to the Fund's downside.

The portfolio is predominantly positioned in high yielding low duration names which have and will continue to benefit the portfolio in times of market volatility. Investcorp '17 was the star performer of the year, trading up by 8.5% since inception of the Fund and contributed 0.95% to the upside. The Fund's second best performer for the year was Aldar '14, followed by Emaar '19. The main names that pressured the Fund were Bahrain '22, Batelco '20 and Is Bankasi '18. We strongly believe this positioning will enable the Fund to outperform the benchmark going forward in 2014.

Since inception the portfolio has trailed the index (-1.2%) net of fees while the index was up 0.4%.

Portfolio Composition



Top Holdings	BB Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	6.4%	3.3	15.44%
KIPCO 9 ¾ 07/15/20	BBB-	9.4%	5.0%	5.2	12.03%
ALDAR 10 ¾ 05/27/14	BB	10.8%	0.5%	0.4	10.27%

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	HSBC ME Aggregate 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 2013	-0.1	0.1
YTD 2013 (Apr - Dec 13)	-0.8	0.4
Last 3 Months	1.5	1.5
Last 6 Months	3.5	4.5
Last 1 Year	NA	NA
Since Inception (2nd Apr – 31st Dec 13)	-0.8	0.4
Duration (years)	3.7	4.9
Yield to maturity (%)	4.7	5.8
Coupon (%)	6.8	5.0
Spread (bps)	343	206

* HSBC Middle Eastern Aggregate Index

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