

Manager's Commentary

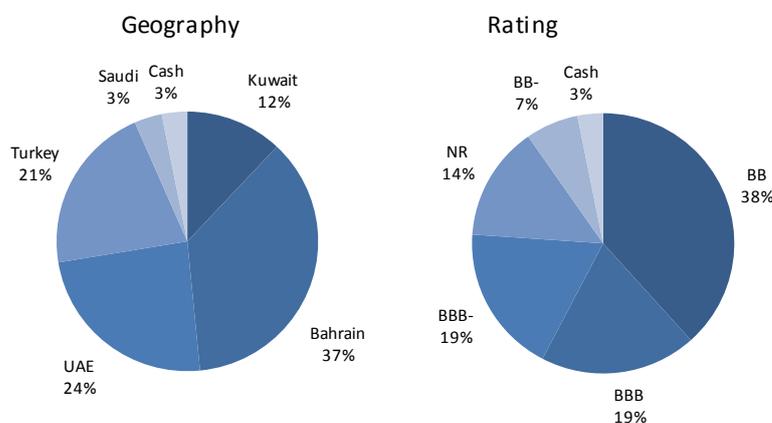
The SICO Fixed Income Fund rose from USD 98.64 last month to USD 99.03 in October, while the HSBC ME Aggregate Bond Index appreciated by 1.5% for the same period.

October was another good month for the GCC bond and Sukuk markets, bringing fixed-income investors closer to their break-even point, in terms of year to date. Bonds continued the rally that began in September, after U.S. Federal Reserve Chairman Ben Bernanke surprised markets by announcing that the Fed would not reduce its bond-buying program. Slowing growth signs in the US, low inflation and the 14-day US Government shutdown in October also forced analysts to push out their expectations for when the taper will eventually begin. Most estimates are now calling for the Fed to pare back its QE no earlier than March of 2014. Investors also cheered to the solution regarding the debt ceiling stand-off in Washington, and although only temporary, it removed a potential risk that had been hanging over the markets for weeks. Yields on U.S. Treasuries fell as prices rose, with the yield on the 10-year note declining from 2.67% to 2.51%.

Regionally, all bonds and Sukuks were bid higher, buoyed by the current "risk-on" environment. Bahrain was the outperformer with the CBB '22s and '23s moving higher by up to 3 US Dollars. Investcorp '17, the largest holding in your fund is currently trading at USD 108 – the highest level seen since its issuance exactly a year ago. In contrast to other GCC countries, Bahrain still looks undervalued, trading at Z-spreads of above 300bps, while we have also seen appetite returning back for Turkish names. The fund's Turkish papers are trading up by 1.5 US Dollars on average compared to the end of September.

Going forward, the sweet spot continues to be the high yielding and shorter end of the curve. We believe that bonds in the 2 to 5 year maturity space are going to be bid higher in an interest rate rising environment and have thus positioned the fund accordingly. During the month we added two new names from the floater and low duration space to help the fund maneuver through the near term shifts in the market.

Portfolio Composition



Bonds: Allocation 88%

Top Holdings	BB Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	6.0%	3.5	15.5%
KIPCO 9 ¾ 07/15/20	BBB-	9.4%	5.5%	5.2	12.0%
ALDAR 10 ¼ 05/27/14	BB	10.8%	1.6%	0.5	10.4%

Deposits: Allocation 5%

Counterparty	BB Rating	Allocation
AHLI UNITED BANK	BBB	5.0%

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* (%)
October 2013	0.4	1.5
YTD 2013 (Apr - Oct 13)	-1.0	0.4
Last 3 Months	0.7	2.2
Last 6 Months	-2.1	-0.9
Last 1 Year	NA	NA
Since Inception (2nd Apr – 31st Oct 13)	-1.0	0.4
Duration (years)	3.8	5.0
Yield to maturity (%)	4.7	4.2
Coupon (%)	6.7	5.1
Spread (bps)	339	216

* HSBC Middle Eastern Aggregate Index

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