

Manager's Commentary

The SICO Fixed income Fund made considerable gains in September as the fund's NAV rose by 1.8%, from USD 96.91 to USD 98.64.

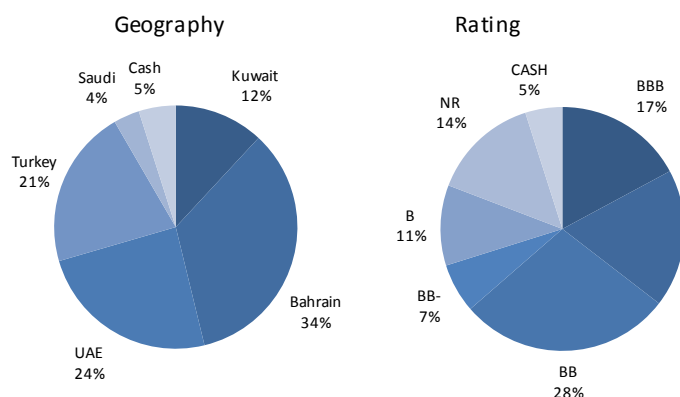
September was an interesting month for global fixed income markets; during the month the Fed surprised the markets by not tapering its monthly USD 85 billion asset purchases. Leading up to the announcement US 10-Year Treasury yields sold off, reaching yields as high as 3%. Treasuries however almost instantly pared their losses post the announcement and traded range-bound between 2.6% - 2.65% for the remainder of the month.

The GCC fixed income markets mirrored the swings in US Treasuries as regional investors once again turned on their appetite to fixed income, capitalizing on a market poised for recovery. In addition to the bond friendly news out of the US, GCC credit markets recovered as the Syrian crisis simmered down as the Assad regime showed signs of full compliance with UN chemical weapons inspectors. This cooling down allowing Turkish credits to rally, aiding names such as Is Bankasi 2018 to appreciate.

Over the month the fund took advantage of the continuing QE tap, by taking a tactical position in BAHRAIN '22 and was aided by speedy recovery of the existing KIPCO '20 and EMAAR '19 positions. Our conviction for taking small longer duration positions was driven by the view that these names will rally once again in the prevailing bond friendly environment. Further the fund also traded SABIC '18 and capitalized on the initial hype surrounding the issue.

Overall the fund is positioned well to continue its recovery to pre-taper-talk and Syrian crisis levels and could receive a further boost once Janet Yellen's nomination is approved by Congress as the Federal Reserve's next Chairwoman. This is due to the perception that she is dovish in terms of her views and a major supporter of continuing QE.

Portfolio Composition



Bonds: Allocation 88%

Top Holdings	BB Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	6.3%	3.4	15.5%
KIPCO 9 ½ 07/15/20	BBB-	9.4%	5.8%	5.2	11.9%
ALDAR 10 ¾ 05/27/14	B	10.8%	1.4%	0.6	10.7%

Deposits: Allocation 5%

Counterparty	BB Rating	Allocation
AHLI UNITED BANK	BBB	5.1%

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

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* (%)
September 2013	1.8	1.8
YTD 2013 (Apr - Sep 13)	-1.4	-1.0
Last 3 Months	2.9	2.9
Last 6 Months	-1.4	-1.0
Last 1 Year	NA	NA
Since Inception (2nd Apr – 30th Sep 13)	-1.4	-1.0
Duration (years)	3.8	5.0
Yield to maturity (%)	4.8	4.4
Coupon (%)	6.6	5.1
Spread (bps)	355	229

* HSBC Middle Eastern Aggregate Index

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