

Manager's Commentary

Positive momentum continued in February as GCC investors continued their quest for yield, driving regional debt capital markets higher.

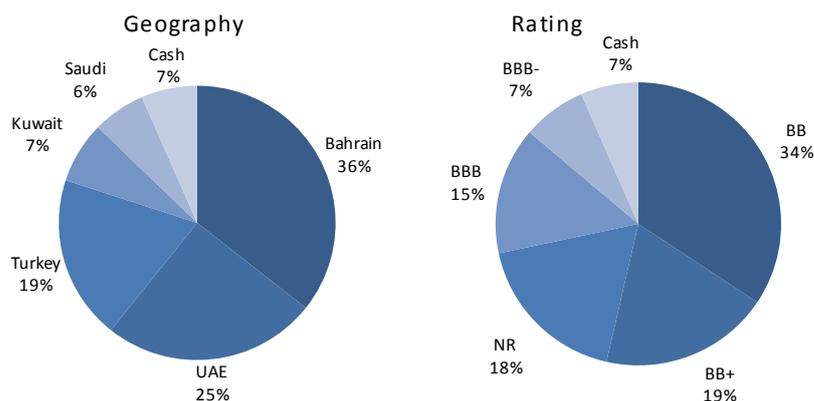
Regional demand for fixed income was boosted significantly as positive news emerged from Dubai's Emaar. Global rating agency, S&P, upgraded Emaar's debt to investment grade by awarding the developer a BBB rating with a stable outlook. Both of Emaar's sukuk, maturing in 2016 and 2019, immediately appreciated by more than a Dollar as the credit was scooped up globally by funds and institutional investors who were previously not permitted to buy the credit due to its rating. The fund's 8% exposure to Emaar 2019 positively contributed to the overall monthly performance. The position was the month's top performer, appreciating by 3.7% and contributed 0.296% to the upside.

Further, the fund's Turkish exposure was reduced from an initial 21% to 19% and exerted a positive impact on the fund as February proved to be a strong month for Turkish paper in general. Positions including Al Baraka 2023 appreciated by approximately 2 Dollars.

Investor sentiment in February was however largely driven by the macro picture which was not that positive when looking at data coming out of the US and the Emerging market's turmoil stemming from the Ukraine crises on one hand and the impact of a possible taper. US durable good orders took a hit in the final week of the month, dropping by 1%. Jobless claims data was also sluggish as continuing claims rose more than expected, standing at 348k and 2964k respectively. This gave investors a further excuse to sail to the safety of US Treasuries. Despite of the not so positive data, US Fed Chair, Janet Yellen, stated that the Central Bank is likely to keep trimming asset purchases, even as policy makers monitor data to determine if recent weakness in the economy is temporary and that "unseasonably cold weather has played some role". In Europe, the Ukraine continued to dominate the headlines as fears of an escalation in regional tensions escalated.

Moving forward, the fund is well positioned to perform positively given the uncertain geo-political environment we find ourselves in. The GCC has previously proven to exhibit, to some degree, safe haven characteristics, especially during periods of EM turmoil.

Portfolio Composition



Top Holdings	BB Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	5.4%	3.2	18.42%
ALBARAKA TURK 7 ¼ 05/07/23	BB	7.8%	9.1%	6.4	10.59%
TURKIYE IS 3 ¼ 10/10/18	BBB	3.8%	5.4%	4.2	8.73%

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	Barclays EM GCC 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* (%)
February 2014	2.2	1.9
YTD (Jan - Feb) 2014	2.7	2.9
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	2.6	3.0
Last 6 Months	6.1	5.7
Last 1 Year	NA	NA
Since Inception (2nd Apr - 28th Feb 14)	1.9	2.5
Duration (years)	3.9	5.2
Yield to maturity (%)	4.8	3.0
Coupon (%)	6.5	4.7
Spread (bps)	350	151

* Barclays EM GCC Index

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