

Manager's Commentary

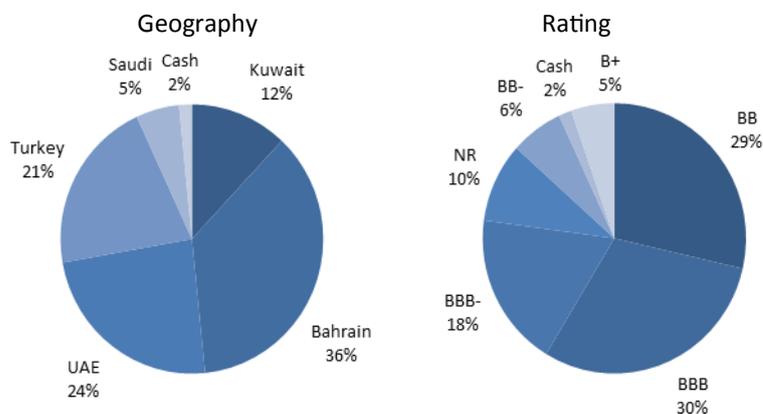
The SICO Fixed Income Fund rose by 0.12% in November, while the HSBC ME Aggregate Bond Index remained flat for the same time period.

US 10-year treasuries closed the month at 2.79%, 11 basis points higher than in October 2013, as the prospect of an earlier taper began to weigh on fixed income markets. GDP increased at an annualized rate of 2.8% in Q3, stronger than the consensus forecast of 2.0%. Additionally, both the ISM manufacturing and non-manufacturing indices rose in October to 55.6 and 53.2 respectively. The latest labor market data has also signaled improvement in the U.S market. October's non-farm payrolls was much stronger than expect rising by 204,000, nearly 50,000 more than the Fed estimated.

Regionally, GCC debt capital markets ended the month slightly in the red as fears of an early taper gripped the region but then picked up as investors turned to local cues. Iran's progress with the US on its nuclear program helped to dispense some of the risk premia previously built into GCC paper and helped regional markets to rally. The fund was also boosted by its UAE credits (25% of the portfolio), which posted respectable gains of approximately 50 cents. Dubai bonds in particular, were strongly bid, buoyed by investor optimism after the sovereign state winning the right to host the Expo 2020. The Bahrain curve (36% of the portfolio) was also heavily in demand and rose by 25 cents on average with the BAHRAIN '22s leading the way. Elsewhere in the corporate space, the Investcorp 2017 bond, the fund's largest holding managed to hold its ground while clipping up an attractive coupon of 8.25%. During the month, we also added a Dar Al Arkan 2016 sukuk which will help to stabilize the portfolio in a rising interest rate environment.

The spotlight going into the remainder of the year will be on the Fed's December meeting. Although the health of the US economy is improving, we do not expect the Federal Reserve to start tapering its stimulus program this year, primarily because the rate of U.S. inflation is too low at 1.2% and unemployment is still above the Fed's 7% stated target. That being said, the fund will be positioned to take advantage of the current conditions until tapering begins, with the general theme to skew the portfolio towards shorter term credits.

Portfolio Composition



Bonds: Allocation 95%

Top Holdings	BB Rating	Coupon	Yield	Duration	Allocation
INVESTCORP 8 ¼ 11/01/17	BB	8.3%	6.0%	3.4	15.4%
KIPCO 9 ¾ 07/15/20	BBB-	9.4%	5.5%	5.1	12.0%
ALDAR 10 ¾ 05/27/14	BB	10.8%	1.6%	0.5	10.3%

Deposits: Allocation 5%

Counterparty	BB Rating	Allocation
AHLI UNITED BANK	BBB	5.0%

Securities & Investment Company BSC (c)
P.O. Box 1331, Manama, Kingdom of Bahrain
Tel: +973 1751 5000 Fax: +973 1751 4000
CR No: 33469

شركة الأوراق المالية والاستثمار ش.م.ب (م)
ص.ب: 1331، المنامة، مملكة البحرين
هاتف: +973 1751 5000 فاكس: +973 1751 4000
سجل تجاري رقم 33469

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* (%)
November 2013	0.1	0.0
YTD 2013 (Apr - Nov 13)	-0.9	0.4
Last 3 Months	3.3	3.2
Last 6 Months	-1.5	0.7
Last 1 Year	NA	NA
Since Inception (2nd Apr - 30th Nov 13)	-0.9	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

For further information contact assetmanagement@sicobahrain.com

