

SICO Fixed Income Fund Class B

Factsheet - September 2017

NAV US\$ 108.32  0.1%
Adjusted (for dividends) NAV US\$ 120.57

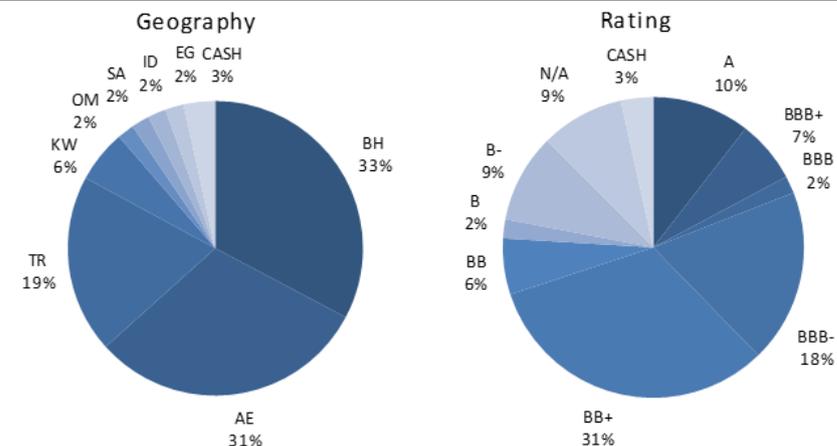
Manager's Commentary

The SICO Fixed Income Fund rose by 0.1% in September compared to a 0.1% drop by its index amidst rising interest rate expectations and increasing geopolitical risks.

The month of September witnessed a generally weaker bid for fixed income as the Federal Reserve was unexpectedly hawkish during its FOMC meeting last month despite weaker growth forecasts caused by the disruptive weather conditions in the US. Fed Chair Janet Yellen also cautioned the Fed that it should be wary of moving too gradually and implied one more rate hike for this year with three more for next year. Elsewhere the US Administration released details for tax reform; albeit in its early stages. Both events prompted a hawkish market response with US Treasury yields rising by around 20 basis points during the month and saw the US dollar strengthen. These moves retraced somewhat on weaker-than-expected inflation (1.9% vs 2.2%) and consumption data while 2nd quarter GDP was revised upwards to 3.1% from 3.0%.

The fund was however able to outperform this month due to its low-duration strategy which also helped it weather through the \$15.5 billion of extra supply that came from the new Saudi and Bahraini primary issuances. The high coupons from Albaraka, Emaar and Bahrain added support to prices while our high-beta oil positions benefitted from the 10% jump in crude prices. In general, we remain conservative in our approach, as we believe that the market remains complacent in terms of its future expectations and we look forward to benefit from the fund's 20% exposure to floating rate bonds. Moreover, a further 20% of the fund will mature within the next 2-years which can be re-invested into higher yielding bonds and Sukuk. As a result, we remain comfortable with the current composition of the portfolio and look to generate positive returns uncorrelated to market conditions with our high yield and new issuance premium strategies.

Portfolio Composition



Top Holdings	Rating	Coupon	Yield	Duration	Allocation
BHRAIN 5.624 02/12/24	BB+	5.6%	5.0%	5.4	14.3%
ALBARAKA TURK 7 ¼ 05/07/23	B	7.8%	9.3%	0.6	9.3%
DEWAAE 7 3/8 10/21/20	BBB+	7.4%	2.4%	2.7	6.6%

Investment Objective

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, and other Fixed Income related instruments.

Fund Features

- High liquidity
- Low volatility
- Excellent vehicle for medium to long term investing

Fund Information

Launch	April 2013
Benchmark	Barclays EM GCC Bond Index
Management Fee	1.00%
Subscription & Redemption	Weekly
Subscription / Redemption	Two Business Days
Minimum Subscription	US\$10,000
Custodian/ Administrator	HSBC Middle East
Registrar	HSBC Middle East

Fund Returns and Characteristics

	Fund (%)	Benchmark* (%)
September 2017	0.1	-0.1
2017 (YTD)	4.1	4.6
2016	6.0	4.8
2015	1.9	1.7
2014	8.8	6.8
2013 (Apr - Dec 13)	-0.8	-0.4
Last 3 Months	0.9	1.4
Last 6 Months	1.9	2.2
Last 1 Year	4.8	2.7
Annualized 3 year	4.3	3.9
Since Inception (Apr 2013 – Sep 2017)	21.3	18.6
Duration (years)	2.7	6.1
Yield to maturity (%)	4.4	3.6
Coupon (%)	5.7	4.3
Spread (bps)	281	159

* Barclays EM GCC Index (net of fees)

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بنك استثماري sico
Investment Bank

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