

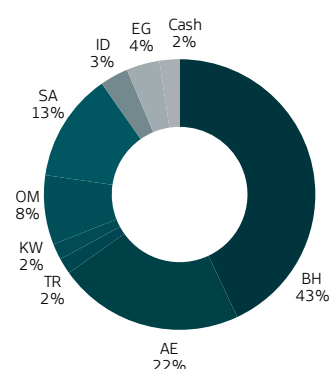
Managers Commentary

The SICO Fixed Income Portfolio outperformed the Barclays GCC fixed Income Index once again despite increasing challenges ahead of the US elections, resurgence of covid-19 cases leading to new lockdowns and a plunge in oil prices.

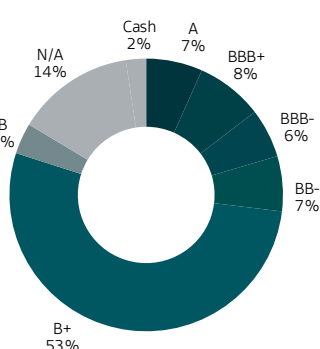
GCC bonds prices displayed a heightened sense of volatility and lost most of their gains towards the end of the month to close up only 0.1% in October. Sentiment towards the region and emerging markets in general turned decisively negative owing to concerns about the pace of the economic recovery, after a rapid rise in new virus cases saw many European countries ramp up restrictions with several of them including France and Germany going back into a lockdown. Meanwhile the delay in US stimulus talks added to the selling pressure across GCC fixed income markets with the UAE the worst affected. The US has also been dealing with a surge in coronavirus cases, with some traders speculating that the world's largest economy may also be forced into lockdown. At the same time, the US presidential election has added to the uncertainty especially as the large amount of ballot counting due to the coronavirus could drag out the results for weeks with President Trump signaling that he might contest them if he does not win. Overall the situation has created the perfect storm for risk assets with oil down nearly 10% while treasuries jumped by 20 basis points.

The Fund however managed to navigate through most of the volatility this month and posted a positive return of 0.6% during October owing to its credit oriented and high yielding strategy. While the region's government bonds continued to be dominated by global macro themes, it was the fund's corporate strategies that provided protection and laid the basis for the positive returns this month. In particularly real estate, UAE corporates and Saudi Banks contributed the most to the outperformance while low duration and Sukuks added to the consistency of these returns. Nevertheless, high oil beta names were hurt by the drop in oil prices but this was compensated by the fund's non-GCC exposure. Egypt for example was up by 2% as it continued to benefit from inflows from emerging market funds. Bahraini bonds also traded higher on the back of thin volumes with a better than expected tone from the IMF, particularly on the lower borrowing needs for next year and budget deficit of only 9%. While US elections are going to dominate markets early November, we believe that the fund is best positioned to extend its gains into the last two months of the year regardless of who wins. A mix of clarity and further stimulus will continue to see capital flows find their way into EM, although diminishing USD liquidity in the GCC along with lower oil prices from the lockdowns may obstruct some of the capital appreciation expected in regional bonds.

Country Allocation



Rating Allocation



Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	3.7	5.6	2/12/24	14.8
BOSUH 2024	3.1	4.0	9/18/24	7.8
DARALA 2022	7.0	6.9	4/10/22	7.2
BAHRAIN 2022	3.3	6.1	7/5/22	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

Returns (%)	Fund	Index
October 2020	0.6	0.1
YTD (October 2020)	0.1	5.5
2019	10.3	15.0
2018	1.6	0.3
2017	3.4	4.7
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	1.7	-1.0
Last 6 months	9.6	9.6
Last 1 year	1.7	6.9
Last 3 years	11.5	21.7
Annualized (last 3 years)	3.7	6.8
Since Inception (April 13 — Oct 20)	33.4	44.4

*Barclays GCC Bond Index

Fund Information

Launch Date	April 2013
Management Fee	1.00%
Subscription & Redemption	Weekly
Dealing Day	Wednesday
Subscription & Redemption Deadline	Two business days before dealing day
Minimum Subscription	\$ 100,000.00
Dividends	Semi Annual
Registrar	HSBC Middle East
Custodian/Administrator	HSBC Middle East

Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	5.2	2.8
Duration (years)	3.3	8.0
Coupon (%)	5.5	4.2
Spread (bps)	492	208

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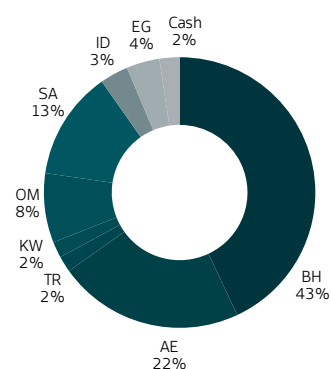
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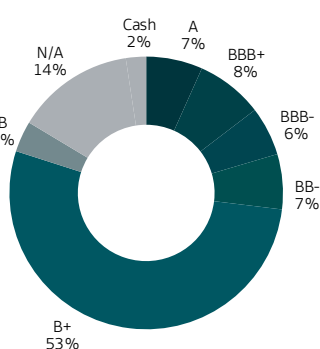
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