

Managers Commentary

The SICO Fixed Income Fund picked up another 1.4% in December to close a turbulent and challenging year with a positive return of 3.8%.

GCC bond markets continued their climb and rose by 0.7% this month, spurred by a range of covid vaccines, higher oil prices, new stimulus packages and the general rally in risk and emerging market assets as well as a friendly end to the Brexit fiasco. The vaccine momentum which started in November spilled into December as countries have begun with vaccinations fueling expectations of a faster return to growth in 2021. Oil prices rallied as result and rose by 9% in December on the back of the expected higher demand to close the year at USD 51.8; its highest since February 2020. It was once again the lower rated bonds from Oman and Bahrain that outperformed, recording gains of 4.0% and 1.5% respectively compared to Kuwait and Saudi at 0.9% and 0.4%. Overall GCC bond yields compressed to an average of 2.5% in December. Elsewhere, the 10 year treasuries also rose by 10 bps to 0.92% and continued to steepen with the gap to the 2 year now at a 3-year high of 80 bps. Markets were however briefly dealt a blow as news of a covid mutation started to emerge in the UK and South Africa although it did a little to derail the overall rally as scientists were quick to point out that the current vaccinations were able to handle most strains.

The Fund therefore benefitted from its large exposure to Bahrain and Oman as both countries currently offer the right ingredients to capitalize on the positive market momentum. In fact, both have been major beneficiaries of emerging market inflows along with Egypt aided by macro headlines surrounding higher oil prices and treasury curve steepening while Oman looks to profit from new stimulus and VAT measures in 2021. Real estate securities also contributed to the positive performance this month as private banks continue to look for yield ahead of a positive market backdrop and a re-opening of economies, especially in the UAE. The same is applicable for perpetual securities which have provided stability and consistency to the fund. Overall, the total active return of 0.7% this month came from both asset allocation 20% and security selection 80% owing to the funds' overweight to corporate bonds. This strategy is likely to continue to payoff although its success will largely depend on various measures to manage the virus including a successful rollout program by major economies as well as flexibility to react to surprises. Standing at a yield of 4.4% and equipped with a credit focused approach, the fund is expected to deliver another positive year especially as developed market liquidity continues to find its way into emerging markets.

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

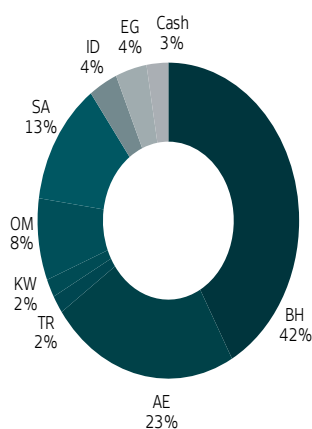
Low Volatility

Excellent Vehicle for medium to long term investing

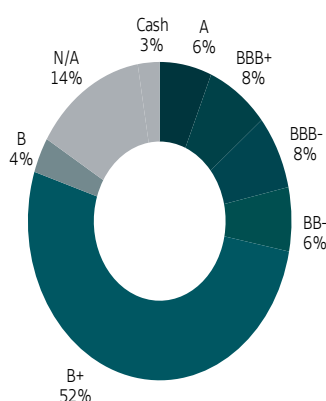
Returns (%)	Fund	Index*
December 2020	1.4	0.7
YTD (December 2020)	3.8	8.6
2019	10.3	15.0
2018	1.6	0.3
2017	3.4	4.7
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	4.4	3.1
Last 6 months	6.4	5.8
Last 1 year	3.8	8.6
Last 3 years	16.3	25.3
Annualized (last 3 years)	5.2	7.8
Since Inception (April 13 — Dec 20)	38.4	48.7

*Barclays GCC Bond Index

Country Allocation



Rating Allocation



Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	3.0	5.6	2/12/24	14.5
BOSUH 2024	2.5	4.0	9/18/24	7.8
DARALA 2022	5.0	6.9	4/10/22	7.1
BAHRAIN 2022	2.7	6.1	7/5/22	6.4

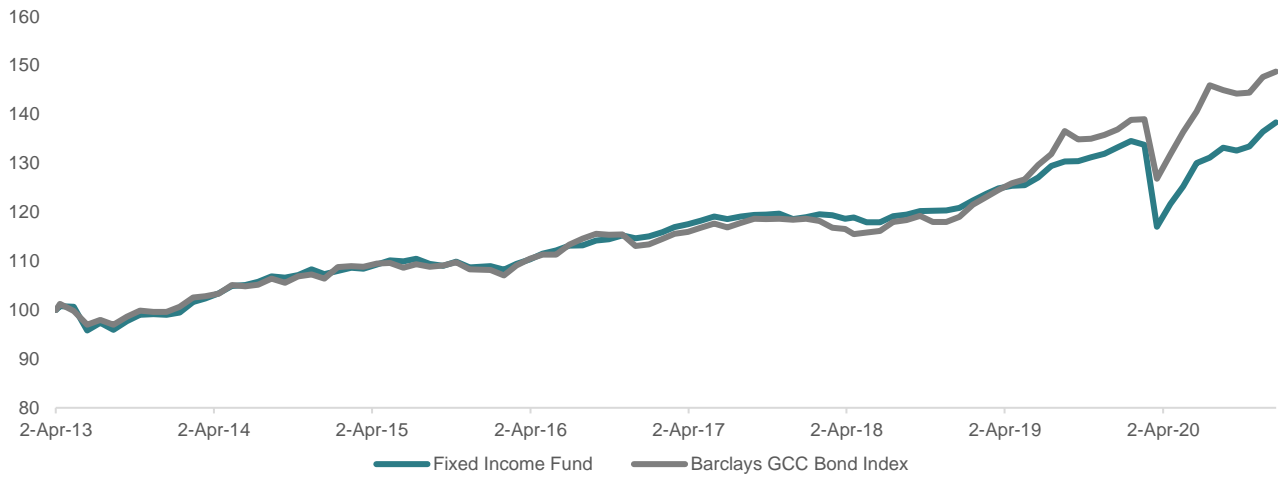
Fund Information

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 (%)	4.4	2.6
Duration (years)	3.2	8.2
Coupon (%)	5.6	4.2
Spread (bps)	411	174

Cumulative Performance



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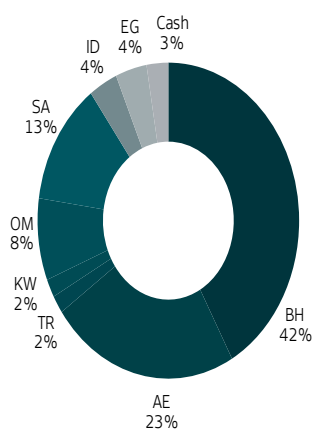
Managers Commentary

The SICO Fixed Income Fund picked up another 1.4% in December to close a turbulent and challenging year with a positive return of 4.2%.

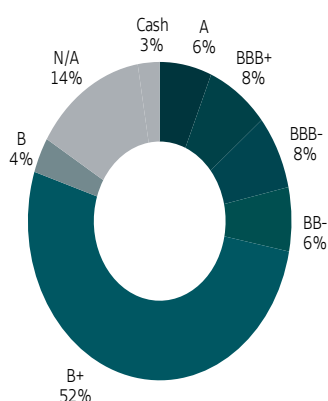
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Country Allocation



Rating Allocation



Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	3.0	5.6	2/12/24	14.5
BOSUH 2024	2.5	4.0	9/18/24	7.8
DARALA 2022	5.0	6.9	4/10/22	7.1
BAHRAIN 2022	2.7	6.1	7/5/22	6.4

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Last 3 months	4.4	3.1
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Since Inception (April 13 — Dec 20)	42.0	48.7

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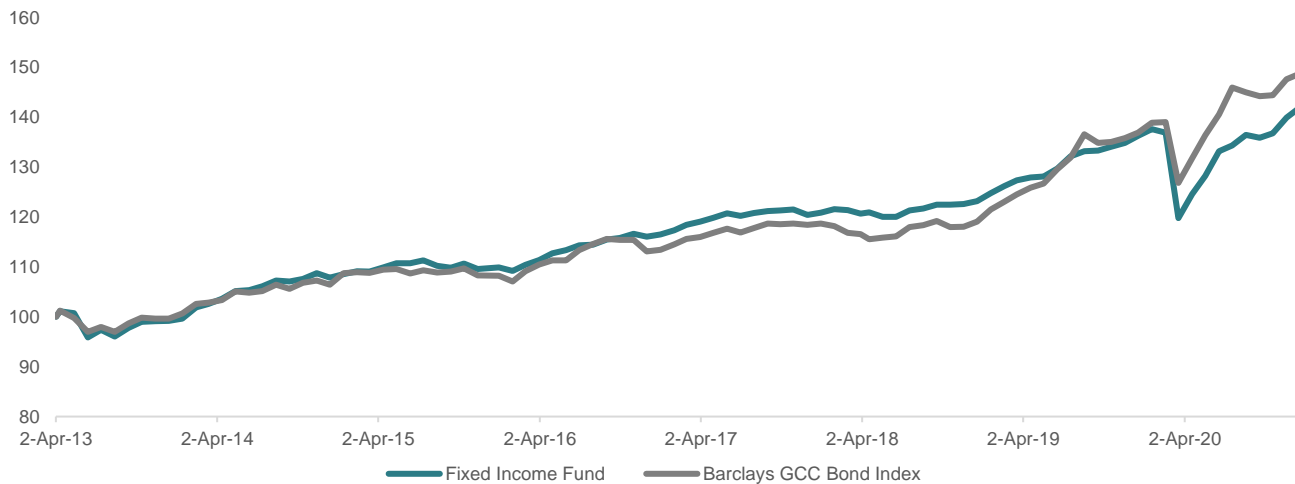
Fund Information

Launch Date	April 2013
Management Fee	0.75%
Subscription & Redemption	Weekly
Dealing Day	Wednesday
Subscription & Redemption Deadline	Two business days before dealing day
Minimum Subscription	\$ 1,000,000.00
Dividends	Semi Annual
Registrar	HSBC Middle East
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