

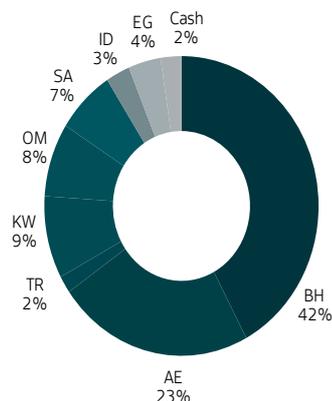
## Managers Commentary

The SICO Fixed Income Fund managed to keep up its positive performance as it rose by a further 3.8% in June against a blurred backdrop of supportive technical valuations and deteriorating short term fundamentals amidst a fragile recovery in oil prices.

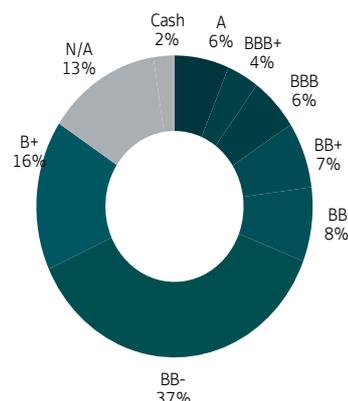
The unprecedentedly rapid and large monetary and fiscal stimulus put in place by the major global economies has fueled a sharp rebound in GCC bond prices over the last 2 months but seem to have hit wall towards the end of June with most of the positives surrounding a recovery now nearly fully priced in. Returns this month were driven by GCC sovereign bonds as they outperformed GCC corporates (3.5% vs 2.4%) as global stimulus and unlimited QE continues to find its way to the region, particularly through index trades, dominated by sovereign issues. Also with most of the debt raising by GCC sovereign issues completed in May, a limited amount of supply helped the sector outperform. It was however Bahrain that came out on top once again after its bonds rallied by 5.2% in June, helped by relative value trades on the back of higher oil prices with GCC support adding a floor to these trades. Omani bonds also briefly rallied after news filtered through that the Sultanate has been in deep discussions with the GCC over a possible financial aid package that has also gaining the support from the US. Elsewhere, treasury rates have been on hold, with the 10 year trading at the low 0.6% levels due to risks of a 2nd wave, particular in the US and other LATAM countries as well as a resurfacing of trade tensions with China. Other political risks have also dampened investor confidence as China appears in the middle of several issues, as tensions with Hong Kong have risen and will most likely command a risk premium on certain HY assets going forward.

The fund has however performed relatively well and made the most out of this month due to its overweight in Bahraini fixed income securities as well as other off-benchmark bets. We have been particularly active on the belly of the Bahrain curve as we see it the most attractive in terms of spread and yield. Bahrain has one of the highest COVID-19 testing-to-population levels in the world, which should augur well for reopening the economy, especially to maintain the F1 race on schedule. The government has secured the bulk of its 2020 financing needs, thereby reducing risks from any renewed oil price weakness while building on the fiscal reforms that started in 2018, which has also boosted the GREs within the fund. We were also overweight Egypt as the sovereign has recently secured most of its funding needs for 2020 and 2021 through new debt issuances and USD 5 billion IMF deal. In general, such deals with multilateral agencies have boosted investor confidence and is another reason why HY EM assets in the fund, especially Oman performed strongly. Our neutral stance on the UAE has also bode well for the fund amidst a flurry of new debt and tight yields, especially in the corporate sector. Nevertheless, the UAE stimulus has mainly relied on monetary policy so far, leaving ample fiscal buffers in coming years as Dubai's Expo comes into focus next year. We therefore see room for more spread compression going forward with carry trades coming to the forefront as central banks still remain extremely accommodative with their policies with the possibility of more liquidity filtering through to the GCC.

### Country Allocation



### Rating Allocation



## Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	4.2	5.6	2/12/24	14.9
KIPCO 2020	-2.1	9.4	7/15/20	7.4
DARALA 2022	7.9	6.9	4/10/22	7.2
BAHRAIN 2022	3.8	6.1	7/5/22	6.7

## 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
June 2020	3.8	3.1
YTD (June 2020)	-2.4	2.7
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	11.2	10.8
Last 6 months	-2.4	2.7
Last 1 year	2.3	8.4
Last 3 years	8.9	19.3
Annualized (last 3 years)	2.9	6.1
Since Inception (April 13 — June 20)	30.1	40.6

\*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 (%)	5.0	3.1
Duration (years)	3.1	7.9
Coupon (%)	6.4	4.2
Spread (bps)	491	246

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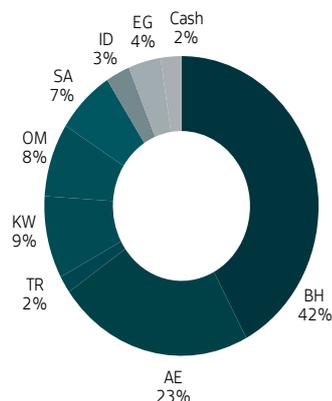
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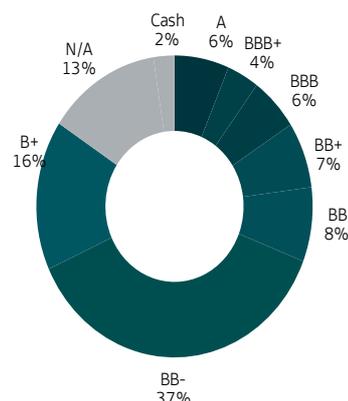
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Last 1 year	2.7	8.4
Last 3 years	10.1	19.3
Annualized (last 3 years)	3.2	6.1
Since Inception (April 13 — June 20)	33.2	40.6

\*Barclays GCC Bond Index

## 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
Custodian/Administrator	HSBC Middle East

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