

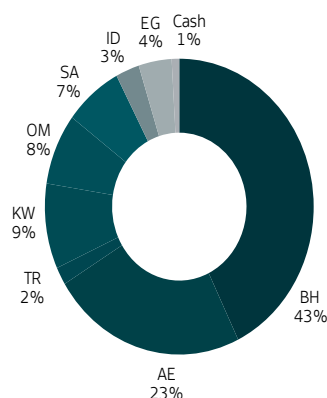
Managers Commentary

The SICO Fixed Income Fund took advantage of the positive momentum in EM credit markets and rose by 3.0% in May, helped by higher oil prices, increased stimulus and improved investor sentiment.

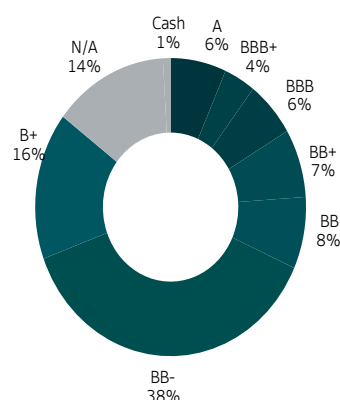
Investors poured into risk assets as measures to contain the virus are gradually being eased in many developed economies, suggesting that the worst of the contraction may now be behind us. GCC bonds and Sukuks performed very strongly in particular after oil prices rose by nearly 35% in May on the hopes that business would soon return to normal after lockdown measures brought economic activity to a halt earlier in the year. The benchmark Brent for the region now sits comfortably above USD 30 and although it is relatively low by most standards for GCC economies, it is psychologically much better than the lows seen in April where May futures were trading at negative levels. The markets also feel healthier than two months ago as the Fed and other central banks continued to implement and expand the massive programs initiated in the wake of the crisis, most notably the decision to purchase high yield ETFs and corporate debt as well as the establishment of a covid recovery fund in Europe. These functioned to not only keep newly reopened markets going, but to encourage additional capital markets activity with funds flowing into the GCC credit markets. Testament has been Bahrain's ability to issue USD 2 billion of new bonds and sukuks at reasonable levels on the back of a nearly USD 10 billion order book, therefore being the lowest rated country to sell dollar bonds since the pandemic started.

The Fund therefore performed well in the wake of revived optimism and increased liquidity, particularly amongst its Bahrain securities as the Kingdom once again ended the month as the best performing GCC country. A mixture of historic high yields, high oil prices as well as a lack of offer side liquidity have made Bahraini bonds a real star in this environment, also helped by the improved sentiment as rating agencies expect aid from wealthy neighbours to be forthcoming. The fund also benefitted from its Omani exposure as investors made similar observations on the country with Omani bonds having the added advantage that these have the lowest cash prices in the GCC, therefore making it easier to attract new investors. These have rallied by an average of 5% in May and are still 17 dollars behind their peaks earlier this year. It was a mixed story on the corporate side as Saudi real estate outperformed UAE real estate while perpetuals became well bid after lagging the rally. Nevertheless, we remain cognizant of the current market dynamics as bonds have had a very good run despite a string of dire economic data, while the gap between market fundamentals and market premiums is increasingly widening. The big question remains: how successful policy execution will be in bridging cash flow constraints and preventing permanent damages to the economy – and what the risk is of a potential second wave in the coming months. Against this backdrop, we prefer to de-risk in the short term by targeting low duration bonds as well as securities with a sticky investor base but at the same time remain exposed to high coupon paying securities and names that would benefit from a resurgence in oil prices with outlooks revised higher.

Country Allocation



Rating Allocation



Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	5.1	5.6	2/12/24	15.0
KIPCO 2020	3.8	9.4	7/15/20	7.7
DARALA 2022	10.2	6.9	4/10/22	7.2
BAHRAIN 2022	4.8	6.1	7/5/22	6.8

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
May 2020	3.0	3.5
YTD (May 2020)	-6.0	-0.4
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	-6.4	-1.9
Last 6 months	-4.1	1.9
Last 1 year	-0.2	7.6
Last 3 years	4.4	14.9
Annualized (last 3 years)	1.4	4.7
Since Inception (April 13 — May 20)	25.3	36.4

*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 (%)	6.1	3.6
Duration (years)	3.1	7.7
Coupon (%)	6.4	4.2
Spread (bps)	569	294

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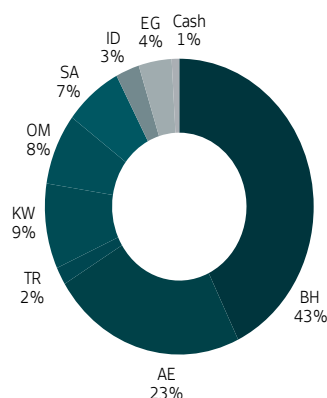
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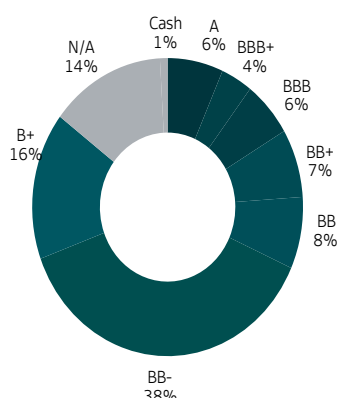
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Last 1 year	0.1	7.6
Last 3 years	5.5	14.9
Annualized (last 3 years)	1.8	4.7
Since Inception (April 13 — May 20)	28.3	36.4

*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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Name	Fund	Index
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