

What We Do

Throughout the past year, each division has showcased resilience and adaptability, navigating challenges with a focus on delivering value to clients and stakeholders through strategic initiatives and collective efforts.

In the dynamic landscape of financial services, SICO stands out as a robust institution, embodying a multifaceted approach to investment and wealth management in the region. Its commitment to excellence is reflected across various business lines, encompassing Asset Management, Brokerage, Investment Banking, Market Making, Securities Services, and Research. Throughout the past year, each division has showcased resilience and adaptability, navigating challenges with a focus on delivering value to clients and stakeholders through strategic initiatives and the collective efforts that have contributed to the overall success of the group.

Asset Management

SICO Asset Management is a leading regional asset manager with a consistent track record of outperformance on its investment mandates. The team offers

its clients access to a broad range of conventional and Sharia-compliant equities, fixed income, money market instruments, real estate investment trusts (REITs), and private real estate funds with on the ground investment professionals in Bahrain and Saudi Arabia. The team also manages various external funds on behalf of leading regional financial institutions. SICO's mutual funds and discretionary portfolios consistently outperform their respective benchmarks and maintain the highest rankings across various league tables.

In 2023, SICO Asset Management significantly increased its AUMs, to USD 6.0 billion by year-end, a 25% increase from 2022. The division has seen an increased appetite for money-market products, resulting in a more diversified portfolio with further exposure to alternative investment products. The fixed income space maintained its upward trajectory in 2023, with widespread appeal as more people took the opportunity to position themselves ahead of the fixed income rally in anticipation of positive returns. The division's positive performance throughout the year has perfectly positioned SICO to become one of the region's top ten asset managers with USD 10 billion in AUMs by 2025. The year 2023 also saw SICO partner with Beyon Money to launch Flexi Savings, an investment product for Beyon Money customers that enables them to accrue returns on a daily basis. The new product and partnership has enabled us to offer our investment services to retail and high net worth individuals, leveraging the power of new technology platforms.

In terms of fund performance, SICO always performs well to limit the downside risks, preserving client capital and returns amid volatility, while strategically adjusting the composition of its investments to capitalize on potential gains. This strategy enabled the asset management team to not only track but also outperform the market index on the upside. The commendable performance was recognized by the Bonds, Loans & Sukuk Middle East Awards 2023 for its Sovereign & Quasi Sovereign

25%

Increase in AUM

Fixed Income Strategy which was named the Best MENA Fixed Income Fund Strategy. Towards the end of the year, Asset Management launched the Elzaad Sukuk Fund in partnership with Wafra Kuwait, which invests in a diversified portfolio of Sukuk and other Sharia-compliant fixed income instruments. SICO also introduced its highly successful SICO Kingdom Equity Fund to the Saudi market through SICO Capital.

Brokerage

Entering into its 25th consecutive year as Bahrain's number one broker and working toward its goal of becoming one of the top three brokers in the region, SICO Brokerage is backed by a highly experienced team of advisors, top-notch in-house research capabilities, a world-class online trading platform for both regional and international equities, and fixed income securities. Maintaining the lion's share of the market at 47.2%, SICO Brokerage remains the undisputed leader on the Bahrain Bourse, providing access to equities, fixed income securities, and T-bills to a wide range of high-profile institutional and individual clients across the region. The division also offers margin trading facilities.

The brokerage division faced lower activity on the equity front in 2023 due to the interest rate environment, which consequently led to a shift from equity investments to fixed income. The team witnessed an increased interest in Bahrain treasuries that offered low risk, with rates reaching 6.4% in the fourth quarter.

The SICO LIVE online trading platform continued to be enhanced, with a focus on eventually transitioning to a fully digital client experience. The plan includes a comprehensive review of systems for trade execution, potential implementation in Saudi Arabia, and online onboarding across all three markets to provide a consistent and seamless client experience.

Investment Banking

SICO Investment Banking is a well-established market leader in Bahrain with on-the-ground presence in Saudi Arabia. The investment banking team's unparalleled expertise in the Bahraini market and ability to deliver a comprehensive suite of tailored financial services for both large corporates and mid-sized players has made SICO the trusted partner of choice for both private and public sector clients. Over the span of two decades, SICO has successfully executed complex deals and managed initial public and secondary offerings, M&A deals, and advisory services across a wide spectrum of sectors, including construction, tourism, hospitality, real estate, telecoms, banking, insurance, consumer finance and education. From arranging primary and secondary issuances to deal structuring, valuations, and corporate and family business advisory services, SICO Investment Banking offers in-depth insights, textbook execution, and a flexible platform that provides innovative and fit-for-purpose solutions.

The investment banking division had a successful year, characterized by a substantial number of diverse transactions. SICO played a pivotal role in the successful sale of an 11% stake in Esterad, a listed company owned by the National Bank of Bahrain, a deal that once again underscored SICO's unrivaled expertise in identifying strategic buyers. SICO Investment Banking served as the financial advisor for Dallah Al Baraka's voluntary conditional exit offer of up to 100% of Al Baraka Group's issued ordinary shares, with the aim of fully delisting from the Bahrain Bourse. The investment banking team also advised Al Jazeera Tourism Company's (AJTC)

47.2%

SICO Brokerage market share on the Bahrain Bourse

100% sale of Novotel Al Dana Resort to Gulf Hotels Group. Additionally, SICO was appointed as the financial advisor for Gulf Tamin Ltd. on their partial acquisition of 13.85% of the issued ordinary shares of Arab Insurance Group. SICO also acted as an advisor on a potential M&A transaction between Bahrain Family Leisure Company B.S.C (BFLC) and DGC Hospitality & Partners and they successfully carried out their role as the receiving agent for the Osool and Bakheet Investment IPO on the Saudi Parallel Market, Nomu, which marked the team's first such transaction in the Saudi market.

The SICO Employee Savings Scheme (ESS) went live in 2023. Initially implemented for SICO staff, it was marketed to the broader Bahrain market toward the end of the year. The scheme focuses on global markets for diversification, with 80% of SICO staff participating in the scheme. SICO's Wealth Management team manages investment mandates of such schemes, while Investment Banking structures and customizes plans for corporate clients. Most notably, SICO is pioneering the use of a multi-employer trust, allowing independent oversight and facilitating other corporates within the same trust, a first-of-its-kind approach in the region.

Market Making

With an eye on creating liquidity that builds the foundation for investor confidence, enhancing volumes, increasing valuations, and improving performance in the market, SICO has been a pioneer market maker for a number of large-scale listed entities on the Bahrain Bourse (BHB). With a robust track record of almost 30 years of success, SICO's Market Making division actively participates in bid and offer sides,

narrows down price spreads, and creates a market for select stocks, post-IPO listings, cross listings, and mature listings. The division continues to maintain its role as the top market maker in Bahrain and since 2018, SICO has had licenses to act as market maker on both UAE exchanges, the DFM, and ADX. In 2016, SICO launched and co-seeded the Bahrain Liquidity Fund (BLF). The BLF aims to create liquidity and to generate absolute returns for investors around the level of market returns. Since its inception, the Fund has gained traction and positive investment response, and continues to incur positive impact on market volumes, valuation, and performance.

The BLF sustained its active role and liquidity provision on the BHB for the seventh consecutive year, witnessing an overall increase in liquidity over the previous year. In 2023, BLF's transactions accounted for 28.4% of the total Average Daily Trading Volume (ADTV) on the Bahrain Bourse, a decrease from the 36% share in 2022. This reduction in participation rate can be attributed to the heightened trading volumes, aligning with the Fund's function as a liquidity provider amidst market volatility. Regarding financial performance, the BLF achieved a return of 3.1% in 2023, inclusive of cash dividends distributed to the Fund's unitholders.

Securities Services

SICO is a well-established securities services provider that has been offering custody and fund administration services to clients in Bahrain since 2004. Known for its client-centric approach and active utilization of technology, tools, processes, and delivery platforms, SICO is considered one of the GCC's most successful and highly regarded securities services providers.

SICO offers a full range of integrated securities and fund administration services in both its home country of Bahrain and in Saudi Arabia. The comprehensive services on offer in both of these countries provide a holistic basket of solutions for asset managers, investment funds, portfolios, sukuk, and various structured financial instruments that give investment managers the ability to outsource their administrative overheads, enhance efficiencies, and

3.3 USD BN

Assets under custody

focus on their core business.

SICO's tailor-made middle- and back-office services are specifically designed to meet the evolving needs of a diverse local and global client base of both emerging and established players across the region. In addition to pre- and post-trade execution solutions, new value-added services for asset managers, such as middle office and performance analytics for public and private funds covering all asset classes, have been introduced. These include unit holder dealing, investment manager factsheets, and bespoke front to back-office reporting.

Research

SICO Research is a pioneer of sell-side research in the GCC, with a team that delivers in-depth products and insights that are utilized by a broad spectrum of clients within the GCC region and beyond. The division's team is comprised of eight expert analysts, many of whom are CFA charter holders, focused on producing high quality research that covers over 85 companies across 14 key regional sectors. Through its offerings, the division also provides clients with valuable and timely advice that assists in strategic investment decision-making processes.

During the year, the SICO Research team continued to deliver its objective research reports, company analyses, newsletters, and periodicals, through which the division's analysts conveyed their insightful observations, revisions, and prudent viewpoints. SICO Research's highly regarded Top-20 Portfolio, an equally weighted portfolio which comprises 20 diversified GCC stocks, continued its outperformance in 2023, with the portfolio returning 25.7%, implying an outperformance

of its benchmark, the S&P GCC Index by 15.3%. Despite the overall market volatility, the portfolio achieved impressive outperformance. The Top-20 portfolio is constructed by the research team leveraging their extensive fundamental research of the region's listed companies. Simultaneously, it aims to provide clients with an actionable portfolio, addressing the necessity of judiciously diversifying stock ideas across sectors and countries within the GCC region.

Research also conducted its third annual investor return assessment survey in 2023, providing a one-of-a-kind insight into the economic and return expectations of investors across the GCC. This product serves as a point of reference, delivering empirical data and analysis for regional investor sentiment and expectations that will provide the division with an important pulse on the economies of the region. The latest iteration of the report expanded its survey respondent pool to include more diverse viewpoints and backgrounds, growing to 190 respondents compared to 111 the prior year. The survey also added a new question regarding cryptocurrency to gauge investor sentiment toward emerging asset classes.