S/CO
/Asset Management
Fixed Income Fund

SICO FIXED INCOME FUND
Class A | July 2020
NAV USD 106.99 ⬆0.9%

Managers Commentary

The SICO Fixed Income Fund powered through in July and recorded another positive month after it rose by 0.9% spurred on by ultra-low interest rates and easy monetary policy.

Fixed income assets continued to rally in July, with short term yields holding relatively steady and long term treasury yields falling. Yields on the 10-year Treasury notes closed the month at 0.55%, matching the lows seen in March 2020. The Fed left its policies unchanged at the July meeting, maintaining a very dovish tone and reinforcing its commitment to monetary policy support. Risk assets remained well-supported by investors and the Fed as they continued buying corporate bonds as part of their monetary policy, aided by the continued chase for yield. GCC bonds did very well in particular, registering their 9th positive week in a row, buoyed by the Fed's continued dovishness, which encouraged a bid for emerging market debt and other risk assets. Spreads narrowed modestly from 244bps in June to 215bps in July, driven mainly by sovereigns as they outperformed corporate bonds and local currency issues. A lack of debt supply from GCC issuers during July also helped push bond prices higher while oil prices now seem to sit comfortably in the +$40 range, adding an additional level of support. Liquidity is likely to become more scarce going into August, but for now GCC credit markets have been functioning and are likely to remain an attractive carry till we get the next significant catalyst which could come in the form of a vaccine, another significant tranche of monetary support or US elections.

The fund performed well against this backdrop and took advantage of its high yielding positions in Bahrain and Oman, owing to its relative scarcity but also general trend for risk assets as economic data and earnings continue to surprise to the upside amidst record stimulus measures. Both are up 1.2% and 2.0% respectively and have largely been supported by technical factors due to a rotation into higher yielding assets within emerging markets, rather than a mass exodus out of the region. Our corporate bonds also benefitted from that rotation as they remain one of the higher yielding investment grade papers within the bracket, which is an encouraging technical indicative of further compression ahead. The Fund's Omani securities also caught a strong bid after news started to emerge that they have selected a few regional banks to arrange a USD 2 billion bridge loan. Elsewhere, our under allocation to high quality and high duration papers contributed to the underperformance this month as these rallied to tight levels last seen in February, before the crisis. It was however the higher yielding names, that have provided some stability to the fund, aided by their "off-the-run" status and helped balance returns with their high coupons and steady prices. Without much free-float available, perpetual securities were another source of stable income, moving up anywhere from half a point to 1 point in July. Amongst these, we prefer the higher quality names while credit specific plays and index inclusion stories will continue to drive individual returns going forward.

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

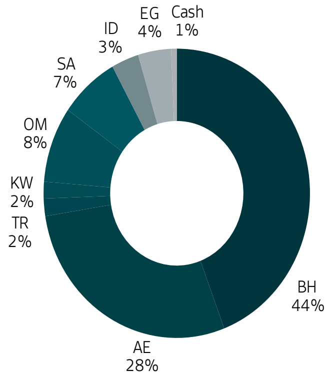
Low Volatility

Excellent Vehicle for medium to long term investing

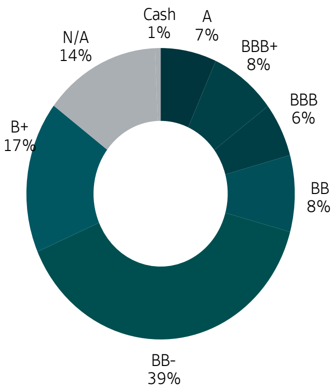
Returns (%)	Fund	Index
July 2020	0.9	3.8
YTD (July 2020)	-1.6	6.6
2019	10.3	15.0
2018	1.6	0.3
2017	3.4	4.7
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	7.8	10.7
Last 6 months	-2.5	6.6
Last 1 year	1.3	10.7
Last 3 years	9.4	22.9
Annualized (last 3 years)	3.0	7.1
Since Inception (April 13 — July 20)	31.2	46.0

*Barclays GCC Bond Index

Country Allocation



Rating Allocation



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 Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	4.1	5.6	2/12/24	14.8
BOSUH 2024	3.6	4.0	9/18/24	7.9
DARALA 2022	8.2	6.9	4/10/22	7.1
BAHRAIN 2022	3.6	6.1	7/5/22	6.6

Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	5.2	2.7
Duration (years)	3.2	8.2
Coupon (%)	5.8	4.2
Spread (bps)	505	217

SICO Asset Management
Fixed Income Fund

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Class B | July 2020
NAV USD 109.55 ↑0.9%

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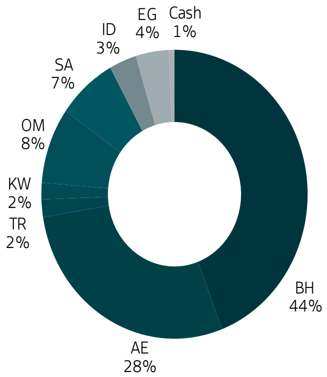

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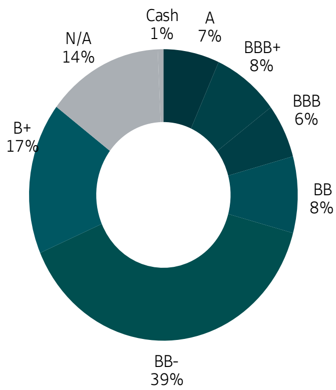

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