SICO Asset Management

Fixed Income Fund

SICO FIXED INCOME FUND

Class A | October 2019

NAV USD 109.46 ↑0.6%

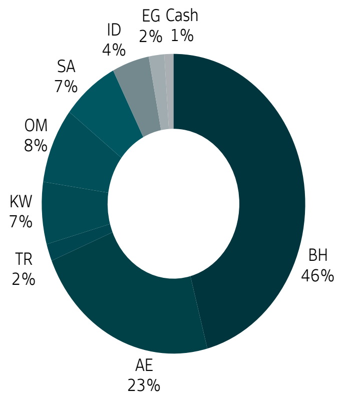
Managers Commentary

The SICO Fixed Income Fund continued its impressive run and increased by 0.6% in October outperforming the Barclays GCC Bond Index which rose by only 0.1% as local markets were forced to deal with volatile rates and an increase in regional debt supply.

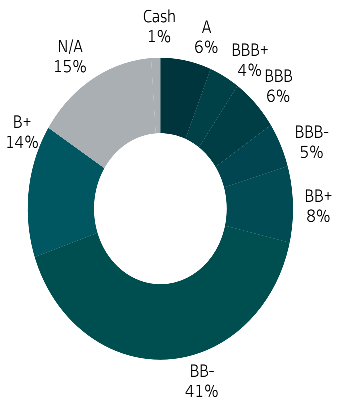
GCC bond markets made a late comeback in October to close the month positively despite trading in negative territory for most of the month as investors struggled to stomach nearly USD 6 billion of new corporate debt. Moreover, the absence of traders in such issues put a dent in bid side liquidity and lent no real support that markets were previously used to. The real estate sector was particularly badly affected with both bonds and Sukuks taking a toll after comments were made that the Dubai market was oversupplied and required the government to suspend new contracts for at least two years. The regional fixed income market also felt inherently heavy in general after recording its best ever year to date at 13.4% and without any real catalysts it was only natural that prices were eventually going to give way. However, a brave Fed cut rates once again at the end of October which caused 10 year treasuries to fall to 1.70% from 1.85% recently undoing previous efforts by the international community to restore market confidence. In the UK, parliament have finally agreed some sort of deal on brexit while chances of a US – China trade deal have also improved after agreeing a draft on phase 1.

The fixed income fund however remained resilient amongst these obstacles due to its short term and credit driven strategies which provided investors with consistent returns, favoring credit risk over capital appreciation. Overall, most of the outperformance came from our overweight in Bahrain Government bonds as it was the top performer at 1.9% while other GCC states traded flat on average. Demand for Bahraini debt has increased especially after the Kingdom started to see benefits from its reforms and with the new bonds out of the way, prices pushed higher with hardly any sellers. On the other hand, our "off-the-run" issues in selected names such as Mazoon, KIPCO, BBK also provided stability and helped wither any negative effects from our real estate exposure. This was in any case minimal at only 11% of the NAV with the majority in Saudi which is probably the most resilient market in the GCC at the moment. We also stayed out of new issues last month due to tight pricings which in hindsight helped shield the fund from negative performance as most of them performed poorly. In the meantime, perpetuals in the GCC along with Omani corporates still offer value along with Egyptian and Bahrain government bonds.

Country Allocation



Rating Allocation



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
October 2019	0.6	0.1
YTD (October 2019)	8.6	13.4
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	1.4	2.4
Last 6 months	4.6	7.2
Last 1 year	9.1	13.3
Last 3 years	13.1	16.0
Annualized (last 3 years)	4.2	5.1
Since Inception (April 13 — October 19)	31.2	35.0

*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 Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	3.8	5.6	2/12/24	14.8
DARALA 2022	6.4	6.9	4/10/22	7.2
BAHRAIN 2022	3.4	6.1	7/5/22	6.6
BATELCO 2020	3.6	4.3	5/1/20	6.2

Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	4.7	3.4
Duration (years)	3.4	7.3
Coupon (%)	6.2	4.3
Spread (bps)	304	166

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SICO Asset Management

Fixed Income Fund

SICO FIXED INCOME FUND
Class B | October 2019
NAV USD 111.79 ↑0.6%

Managers Commentary

The SICO Fixed Income Fund continued its impressive run and increased by 0.6% in October outperforming the Barclays GCC Bond Index which rose by only 0.1% as local markets were forced to deal with volatile rates and an increase in regional debt supply.

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Last 3 years	14.3	16.0
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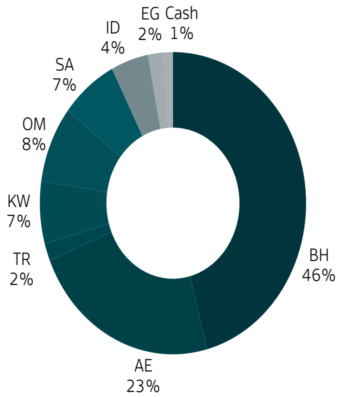
Since Inception (April 13 — October 19)	34.1	35.0

*Barclays GCC Bond Index

Country Allocation



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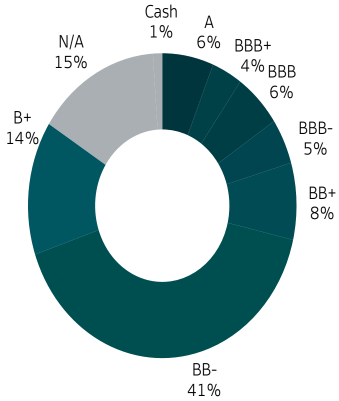

Fund Information

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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Top Holdings

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