

## Managers Commentary

The SICO Fixed Income Fund continued its positive trend and rose by 0.3% in August matching the performance of the Barclays GCC Bond Index.

GCC credits benefitted from a drop in treasury yields this month amidst fears of further tariffs but also as US President Donald Trump voiced his discontent with tighter monetary policy. Benchmark 10 year treasuries pulled back 10 basis points to 2.86% as a result and encouraged inflows into emerging markets as well as the GCC. The positive momentum in July was carried forward despite lower oil prices as investors looked to add bonds on the back of low volumes and a lack of securities. Bahraini bonds continued their positive momentum as demand remains high with the Kingdom close to striking a deal with its GCC neighbors to support its public finances. Elsewhere Turkish bonds plunged by over 10% following a diplomatic dispute with the US which could see the implementation of further sanctions on the high debt stricken nation.

The fund however performed strongly, taking advantage of its overweight position in Bahrain with the Kingdom's bonds up by nearly 1 dollar. Curve flattening was the main theme as longer dated Bahraini securities fared better with the Sukuks also doing well amidst a lack of supply. The fund's Omani positions thrived as merger talks between lenders in Oman were received positively by investors with optimism spilling over across the GCC. UAE bonds continued to accrue a healthy coupon while our positions in Turkey were cushioned from the chaos due to their low duration with all securities maturing within a year. We therefore expect a boost from these going forward as they are currently trading at discount and mainly owned by GCC institutions. Overall the yield of the fund increased from 5.5% to 6.1% in August while its floating rate exposure remained at 13%.

## 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

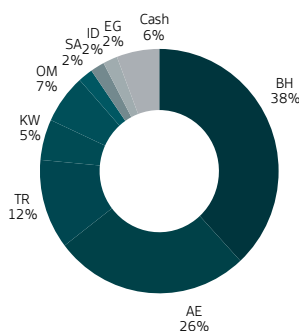
Low Volatility

Excellent Vehicle for medium to long term investing

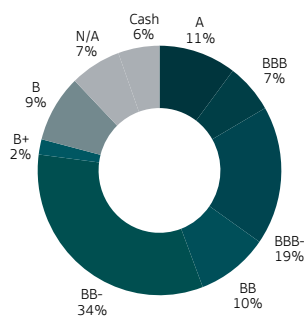
Returns (%)	Fund	Index
August 2018	0.3	0.3
YTD (August 2018)	0.5	-0.4
2017	3.4	4.7
2016	5.6	4.8
2015	1.5	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	1.3	2.0
Last 6 months	-0.3	-0.3
Last 1 year	0.1	-0.4
Last 3 years	9.3	8.6
Annualized (last 3 years)	3.4	3.2
Since Inception (April 13 — August 18)	19.2	17.8

\*Barclays GCC Bond Index

## Country Allocation



## Rating Allocation



## Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	6.3	5.6	2/12/24	14.4
DEWA 2020	3.4	7.4	10/21/20	6.6
BAHRAIN 2022	6.5	6.1	7/5/22	6.6
BATELCO 2020	5.9	4.3	5/1/20	6.5

## 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

## Top Risk Statistics

Name	Fund	Index
Duration (years)	2.7	6.3
Yield to Maturity (%)	6.1	4.6
Coupon (%)	5.9	4.4
Spread (bps)	329	178

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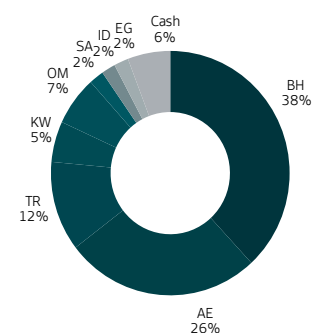
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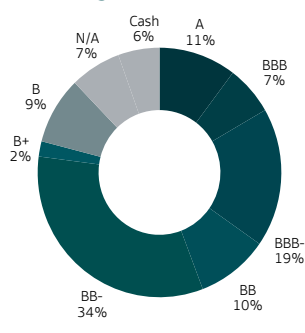
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