

## Managers Commentary

The SICO Fixed Income Fund enjoyed another strong month and rose by 0.7% in April as treasury rates retraced and partially stabilized with emerging market bond funds witnessing inflows again.

April has shaped up to be a much better month for GCC fixed income after a miserable Q1 performance driven by stability in US yields and a positive global growth backdrop with investors quick to price in rate hikes on the back of recent strong data, causing a temporary flattening in the yield curve. Moreover, uncertainty about the pandemic and the efficacy of some vaccines remains high especially with India and certain LatAm countries which have also played a role in the recent halt of the treasury yield surge with the 10-year having settled in the 1.55% to 1.65% range again (touched 1.75% last month) In fact, risk assets have welcomed the stabilization in US yields and high beta, as cyclical assets and emerging markets have led the recent gains. Bahrain was the top performing GCC bond market, up 1.3% in April followed by Oman while the whole block ended the month in positive territory benefitting from EM bond inflows. GCC debt markets in general appear to have internalized the narrative of strong global growth driven by the US and China, with investors more comfortable to take risk especially after the correction in bond markets earlier this year. The Fed has also noted in its April meeting that it will be appropriate to be on hold until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time.

The Fund has therefore flourished in the current environment with its IG securities benefitting from a lower treasury yield curve while its high beta names thrived on the back of the positive macro backdrop. In fact, all the securities in the fund managed a unique feat and ended the month in positive territory, usually associated with EM bond inflows. The fund's top 3 performing securities were actually all from Oman. The general trend within the fund was that long duration securities coupled with high yielders outperformed while also a lot of the recent laggards which have struggled with higher treasury rates such as Egypt, have started to do well again. It is also for this reason why the GCC fixed income benchmark performed extremely well in April, helped by its high duration and boosted by 30 year papers from the region. The list of potential near-term catalysts that would support this narrative however are starting to subside which could bring back volatility in the months ahead, buoyed by Biden's proposed mega-spending plans and a less aggressive hiking stance by investors as the Fed still remains very supportive in its policies. Therefore, we are comfortable with the portfolios current positioning as we believe that the halt in treasury yields upward trajectory is just a temporary bump and that the current environment is therefore still very conducive of GCC "carry" and a gradual risk premia compression across GCC assets which should support the fund's bond returns. Overall, the fundamental backdrop remains positive and should continue to support EM (especially on the back of higher growth, central bank support, easing of lockdowns) and trickle through to the GCC.

## 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

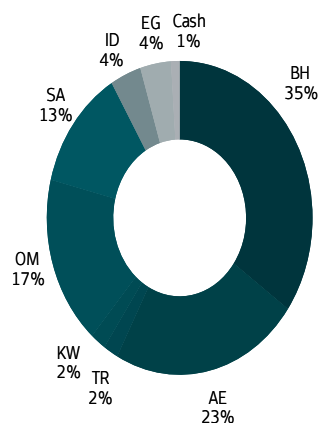
Low Volatility

Excellent Vehicle for medium to long term investing

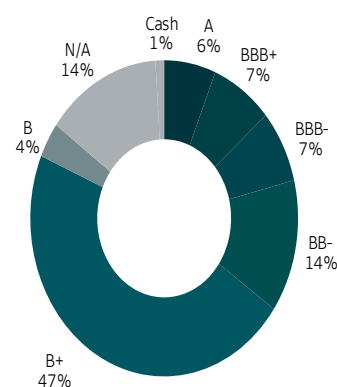
Returns (%)	Fund	Index*
April 2021	0.7	1.1
YTD (April 2021)	2.4	-1.9
2020	3.8	8.6
2019	10.3	15.0
2018	1.6	0.3
2017	3.5	4.7
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	1.1	-1.5
Last 6 months	6.2	1.0
Last 1 year	16.4	10.7
Last 3 years	19.1	26.3
Annualized (last 3 years)	6.0	8.1
Since Inception (April 13 — April 21)	41.6	45.9

\*Barclays GCC Bond Index

## Country Allocation



## Rating Allocation



## Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	2.9	5.6	2/12/24	14.3
BOSUH 2024	2.6	4.0	9/18/24	7.7
DARALA 2022	2.5	6.9	4/10/22	7.2
OMGRID 2031	5.0	5.8	2/3/21	6.4

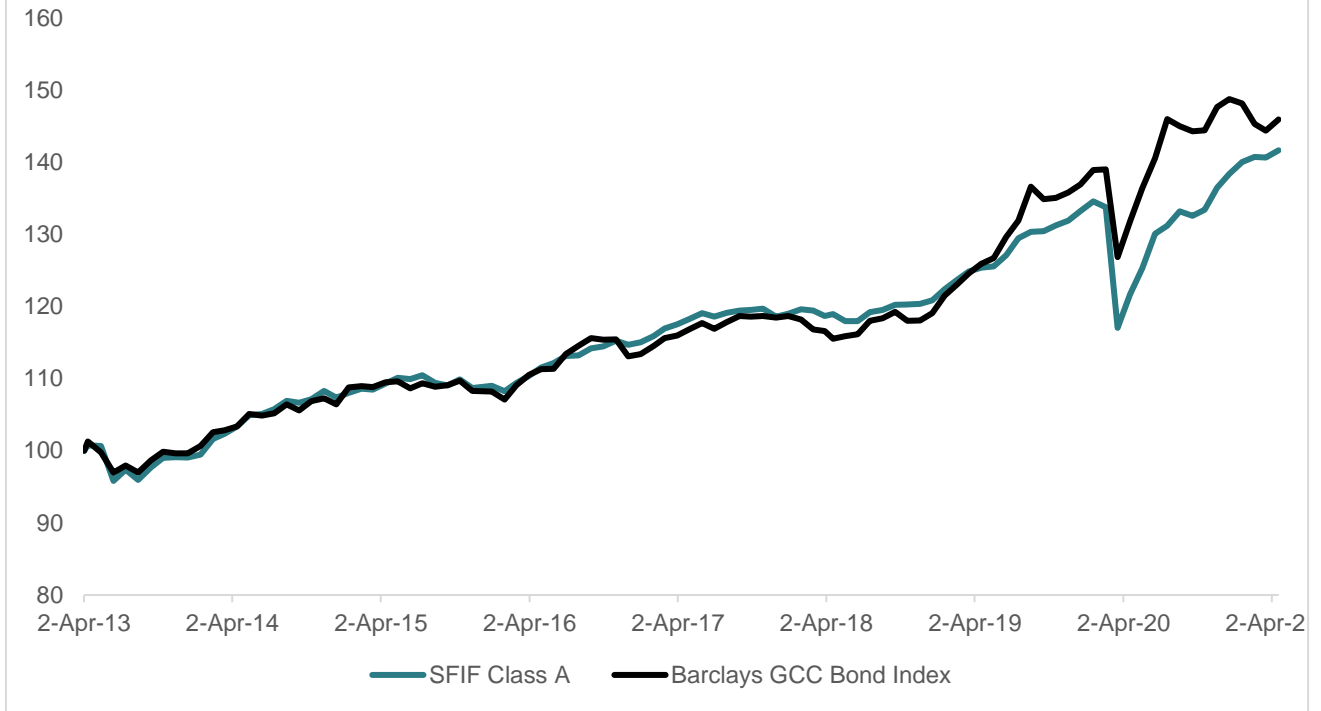
## Fund Information

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
Yield to Maturity (%)	4.4	2.7
Duration (years)	3.6	8.0
Coupon (%)	5.7	4.1
Spread (bps)	355	156

## Performance



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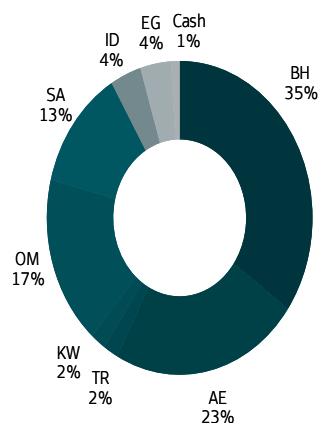
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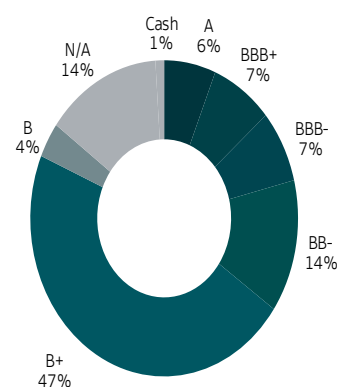
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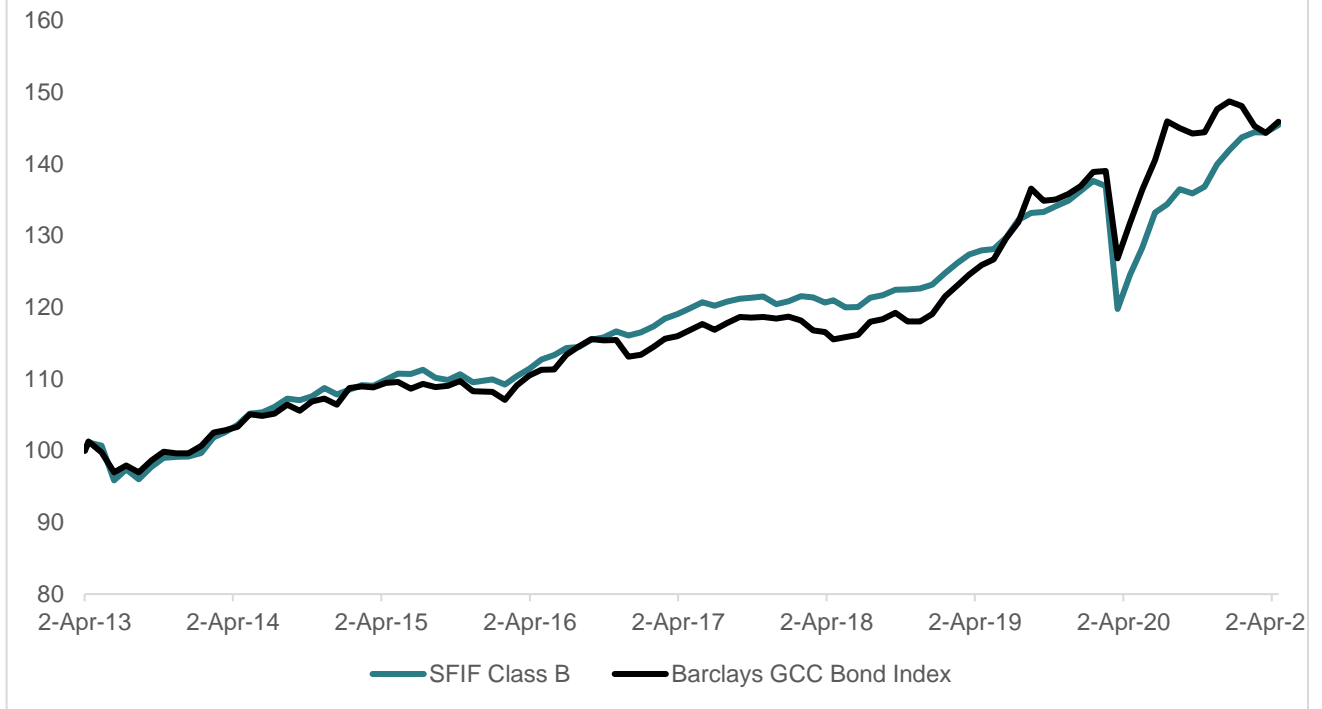
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