

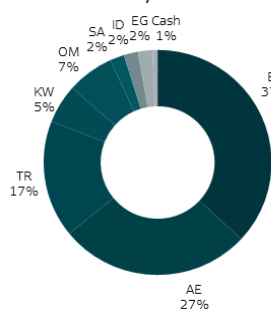
Managers Commentary

The SICO Fixed Income Fund increased by 0.2% in April as the Barclays GCC Bond Index plunged by a further 0.9% amidst higher interest rates and an oversupply of GCC debt.

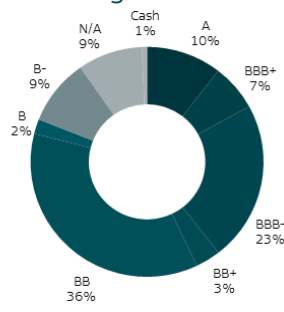
Regional bond prices dropped this month ahead of a busy issuance season which saw the likes of Saudi Arabia, Qatar and Bahrain add nearly \$30 billion in new debt along with other GREs. Markets also got spooked as 10-year treasuries rose to 3.0% thereby forcing new issuers to offer generous yields to attract capital in this environment. Understandably so, the new issuances got buried under this deluge with relatively lower secondary activity despite healthy order books as Qatar and Saudi alone attracted almost \$100 billion. As a result, the adverse move in rates coupled with the heavy supply continued to put downward pressure on the regional credits. The remainder of the quarter is however expected to be rather lackluster with Ramadan around the corner along with the general illiquidity associated with the summer months. Elsewhere the spread between 2 year and 10 year treasuries remained at 47 basis points.

The fund however performed positively amidst all the negative sentiment as our analysis on Albaraka 23 paid off. The Turkish subsidiary of Bahraini Al Baraka Banking Group announced last month that they will exercise their call option and call back their Sukuk at par in early May. The paper belongs to one of the top 3 holdings in the fund and was trading at \$93.5 prior to the announcement thus offering an instant \$65,000 boost on its \$1,000,000 holding. We will continue to look for similar trades as we analyze the capital structure imbalances of local corporates and remain short duration which has helped us protect capital in this volatile environment. The fund is also positioned in high yielders, floating rate bonds and perpetuals as we see these as the general themes to deliver positive returns going forward. In the meantime, we will also look to increase our cash positions in order to take advantage of higher yields on new issues expected to hit the markets.

Country Allocation



Rating Allocation



Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	6.2	5.6	2/12/24	14.4
ALBARAKA 2023	9.6	7.8	5/7/23	10.1
DEWA 2020	3.4	7.4	10/21/20	6.7
BAHRAIN 2022	5.9	6.1	7/5/22	6.7

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 2018	0.2	-0.9
YTD (April 2018)	0.1	-2.7
2017	3.7	4.7
2016	6.0	4.8
2015	1.9	1.7
2014	8.8	6.8
2013 (April till December 2013)	-0.8	-0.4
Last 3 months	-0.5	-2.2
Last 6 months	-0.5	-2.7
Last year	0.9	-1.1
Last 3 years	10.0	5.5
Annualized (last 3 years)	3.2	1.8
Since Inception (April 13 — April 18)	21.0	15.5

*Barclays GCC Bond Index

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)	3.3	6.4
Yield to Maturity (%)	5.8	4.6
Coupon (%)	6.2	4.4
Spread (bps)	310.0	184.0

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