

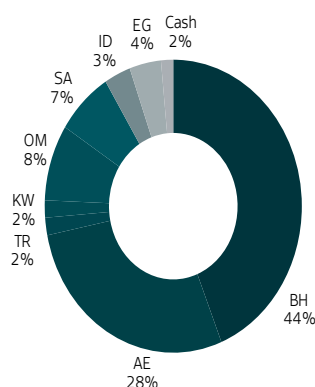
Managers Commentary

The SICO Fixed Income Fund stayed on track with its positive performance and rose by 1.5% in August as it managed to balance the risks of a second wave and an escalation in US-China tensions along with a change in US monetary policy as well as taking advantage of new opportunities.

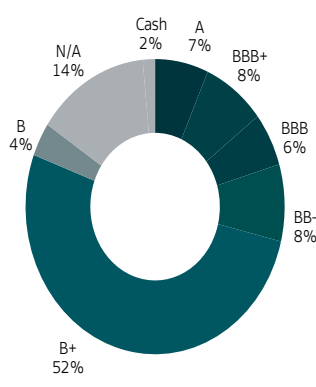
GCC benchmark bonds on the other hand capitulated in August amidst peak market prices as progress toward developing a global Covid-19 vaccine drove up hopes of growth and inflation expectations. The 10 year treasuries rose by 18bps to 0.7% as a result, in what was the first real increase since the beginning of the pandemic. At the same time, record sized auctions by the US Federal Reserve flooded the market with bonds lifting the lid on yields and pushing bond prices lower. Longer maturity treasury yields also moved higher as the Fed announced changes to its monetary policy and will now target an inflation rate that will average 2% compared to investor expectations in that inflation would be allowed to run higher for an extended period of time. Heavyweights Qatar and Saudi sold off as a result, with traders looking to lighten up their books as tailwinds that have supported GCC bonds are starting to fade away. In particular, the short supply of bonds which has supported this market so far is likely to see the start of an issuance frenzy as issuers return to the market after the summer and look to take advantage of cheap rates to shore up their finances amidst record budget deficits. Abu Dhabi already lead the way by issuing USD 5 billion in last week of August, including the GCCs first 50-year bond at a meagre yield of just 2.7%. Bahraini and Omani bonds on other hand ended the month higher, despite both getting downgraded as they were cheered on by the prospects of better growth, generally supportive of non-IG bonds and the current bull steepening environment.

The outperformance this month was across the board as both our asset allocation and security selection worked in the fund's favor with an overweight towards Bahrain, Oman and Egypt while underweighting high duration bonds. At the same time, we complemented the fund with "off-the-run" and "high yielding" securities as they provided a modest income and shielded prices from an uptick in treasury yields. Elsewhere, firm oil prices meant that the fund was able to continue to benefit with its oil related plays while an easing of lockdown measures in Dubai and Saudi was generally supportive of real estate assets. Overall the fund has witnessed a sharp drop in credit spreads and is now trading at an average of just 470 bps. Nevertheless, the fund still remains well exposed to perpetual securities which is currently the highest sought after category for retail investors and private banks, due to the relatively high yields that it can offer. Otherwise relative value bets remain a valid source of alpha with most GREs trading at the tightest levels to the sovereign while we look to take advantage of the new issuance season to generate capital appreciation. Overall, we are confident with our current strategy as we prepare the fund for the post covid era through a combination of low duration, high yield and credit related bets.

Country Allocation



Rating Allocation



Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	3.7	5.6	2/12/24	14.9
BOSUH 2024	3.4	4.0	9/18/24	7.9
DARALA 2022	7.9	6.9	4/10/22	7.1
BAHRAIN 2022	3.1	6.1	7/5/22	6.6

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 2020	1.5	-0.7
YTD (August 2020)	-0.1	5.9
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	6.3	6.3
Last 6 months	-0.4	4.3
Last 1 year	2.2	6.2
Last 3 years	10.8	21.2
Annualized (last 3 years)	3.5	6.6
Since Inception (April 13 — Aug 20)	33.2	45.0

*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 Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	5.0	2.7
Duration (years)	3.1	8.1
Coupon (%)	5.8	4.2
Spread (bps)	470	205

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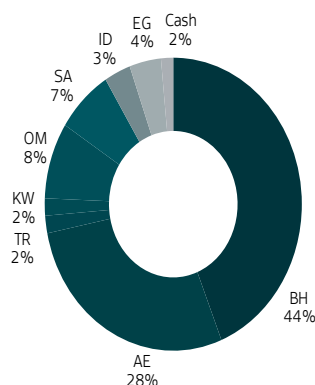
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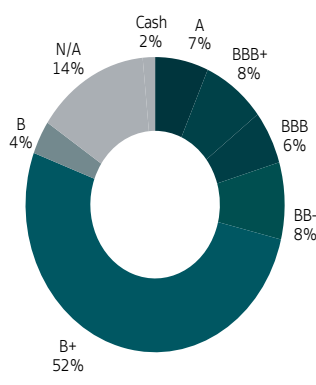
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Fund Features

High Liquidity

Low Volatility

Excellent Vehicle for medium to long term investing

Returns (%)	Fund	Index
August 2020	1.6	-0.7
YTD (August 2020)	0.2	5.9
2019	10.6	15.0
2018	1.9	0.3
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	6.4	6.3
Last 6 months	-0.3	4.3
Last 1 year	2.5	6.2
Last 3 years	11.9	21.2
Annualized (last 3 years)	3.8	6.6
Since Inception (April 13 — Aug 20)	36.5	45.0

*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
Yield to Maturity (%)	5.0	2.7
Duration (years)	3.1	8.1
Coupon (%)	5.8	4.2
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