SICO Asset Management
Fixed Income Fund

SICO FIXED INCOME FUND
Class A | August 2021
NAV USD 109.30 ↑ 0.4%

Managers Commentary

The SICO Fixed Income Fund ended the month on a positive tone and rose by 0.4% in August in line with the benchmark as investors seem to be waiting for more clarity on US monetary policy and on the effects of the Delta variant on the growth recovery, especially in EM markets.

GCC bonds traded sideways as a result and lacked any real catalyst in either direction given an absence of traders with most of the region still in the holiday period while issuers have been holding off new issuances to September. However even globally, there was a lack of momentum in investor convictions as treasuries rose by only by 7 bps to 1.3% while oil prices came off their recent highs with Brent settling in the $72 region after trading as low as $68 during the month. Worries about the economic effect of the Delta variant have intensified after a succession of data misses in the US and the implementation of China's zero-tolerance COVID policy, which has started to take its toll on domestic activity and worsen global supply disruptions. This has been reflected in the resumption of the USD safe-haven bid, a move lower in US treasury yields from their recent highs, and a moderation in commodity prices. The widely anticipated Jackson Hole Economic Policy Symposium also did not bring any further surprises as the narrative seems to hint at a November tapering which should end in 2022 with the first rate hike in 1Q2023. Against this backdrop, GCC spreads have slightly compressed from 160 bps to 155 bps driven by a relief rally in EM assets amidst light investor positioning and fears of a hawkish Fed surprise which did not materialize. We believe risks around these topics are well priced and that a somewhat slower, but still solid global growth recovery – strong enough to support commodity prices, but without creating renewed inflation concerns – could just be the environment that MENA assets tend to thrive in. Oman was the best performing GCC bond market in August, up 1.0%, followed by the UAE and Bahrain, both up by 0.4%. Kuwait was the worst performing GCC debt market, up by only 0.25%.

The Fund therefore continued to march forward driven by its Omani and Egyptian exposure as well as its underweight duration strategy. Egypt recently got USD 2.8 billion from the IMF in August as part of its Special Drawing Rights program, which was bigger than expected, fueling demand for the Fund's Egyptian securities while Oman continues to see inflows from EM investors with its relative attractive value. We continue to have an overweight in Oman driven by the Sultanate's active reforms, fiscal consolidation and attractive yields while being supported by higher oil prices.Bahrain also caught a decent bid this month and made a final dash on the last trading day, on the back of a relief rally after spreads have recently widened to their highest levels this year at 360 basis points. The Fund's real estate assets also seemed to make a final dash following a strong rally with bonds up by an average of 50 cents in August as the regional residential real estate market has been showing a strong recovery as a surge in demand has been driving prices up, leading to a jump in earnings and credit metrics. Saudi Arabia's thriving mortgage sector has also been another factor that has been solidifying this theme. Banks have also acted as a natural hedge to the prospect of higher interest rates and has helped the Fund's financial exposure with a decent bid on its perpetual securities. The returns going forward will likely be driven by carry returns but we look to generate outperformance by seeking exposure to assets that have a high correlation with GDP and a low correlation with treasury yields. At the same time, we turn neutral on oil and Covid recovery related plays as these are now fully priced in with prospects of higher tail risk. Elsewhere, we seek out deleveraging stories especially as a source of spread compression as asset and commodity prices have strongly recovered while also focusing on relative value plays as the new issuance season begins which could bring along with it heightened volatility due to supply imbalances as well as new opportunities to benefit from.

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

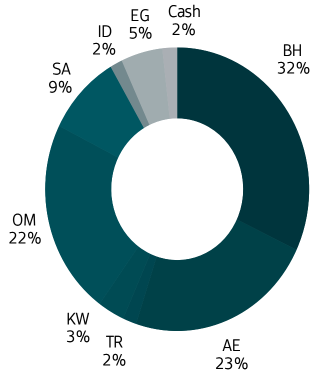
Low Volatility

Excellent Vehicle for medium to long term investing

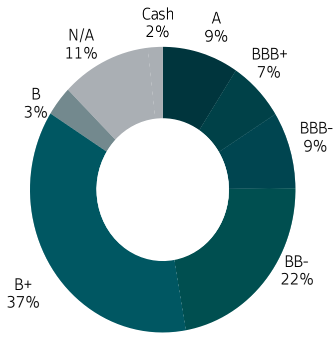
Returns (%)	Fund	Index*
August 2021	0.4	0.4
YTD (August 2021)	1.1	1.0
2020	3.8	8.6
2019	10.3	15.0
2018	1.6	0.3
2017	3.4	4.7
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	-1.1	2.0
Last 6 months	-0.6	3.4
Last 1 year	5.1	3.6
Last 3 years	17.1	27.0
Annualized (last 3 years)	5.4	8.3
Since Inception (April 13 — August 21)	39.9	50.3

*Bloomberg GCC Bond Index

Country Allocation



Rating Allocation



Fund Information

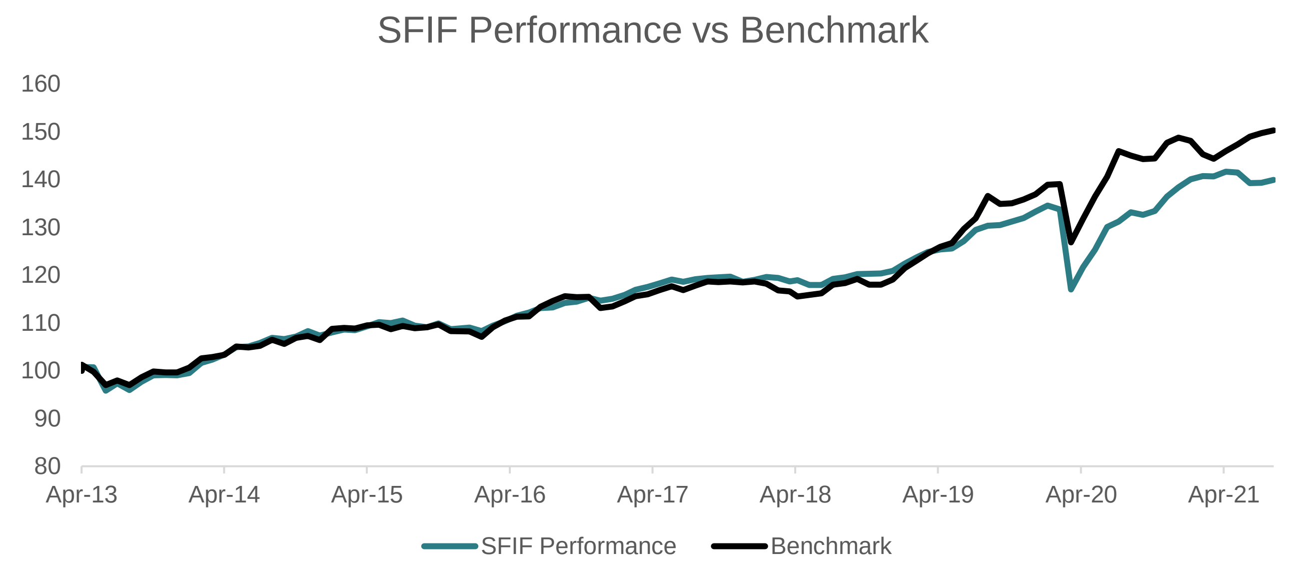
Launch Date	April 2013
Management Fee	1.00%
Subscription & Redemption	Weekly
Dealing Day	Wednesday
Subscription & Redemption Deadline	Two business days before dealing day
Minimum Subscription	$ 100,000.00
Dividends	Semi Annual
Registrar	HSBC Middle East
Custodian/Administrator	HSBC Middle East

Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	3.1	5.6	2/12/24	13.2
BOSUH 2024	3.0	4.0	9/18/24	7.1
OMGRID 2031	5.0	5.8	2/3/21	5.9
ARNBAB 2030	3.2	3.3	10/28/30	5.3

Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	5.0	2.6
Duration (years)	4.2	8.2
Coupon (%)	5.6	4.0
Spread (bps)	424	152


SFIF Performance vs Benchmark
160
150
140
130
120
110
100
90
80
Apr-13
Apr-14
Apr-15
Apr-16
Apr-17
Apr-18
Apr-19
Apr-20
Apr-21
SFIF Performance
Benchmark

SICO Asset Management
Fixed Income Fund

SICO FIXED INCOME FUND
Class B | August 2021
NAV USD 112.44 ↑ 0.5%

Managers Commentary

The SICO Fixed Income Fund ended the month on a positive tone and rose by 0.5% in August compared to 0.4% by the benchmark as investors seem to be waiting for more clarity on US monetary policy and on the effects of the Delta variant on the growth recovery, especially in EM markets.

GCC bonds traded sideways as a result and lacked any real catalyst in either direction given an absence of traders with most of the region still in the holiday period while issuers have been holding off new issuances to September. However even globally, there was a lack of momentum in investor convictions as treasuries rose by only by 7 bps to 1.3% while oil prices came off their recent highs with Brent settling in the $72 region after trading as low as $68 during the month. Worries about the economic effect of the Delta variant have intensified after a succession of data misses in the US and the implementation of China's zero-tolerance COVID policy, which has started to take its toll on domestic activity and worsen global supply disruptions. This has been reflected in the resumption of the USD safe-haven bid, a move lower in US treasury yields from their recent highs, and a moderation in commodity prices. The widely anticipated Jackson Hole Economic Policy Symposium also did not bring any further surprises as the narrative seems to hint at a November tapering which should end in 2022 with the first rate hike in 1Q2023. Against this backdrop, GCC spreads have slightly compressed from 160 bps to 155 bps driven by a relief rally in EM assets amidst light investor positioning and fears of a hawkish Fed surprise which did not materialize. We believe risks around these topics are well priced and that a somewhat slower, but still solid global growth recovery – strong enough to support commodity prices, but without creating renewed inflation concerns – could just be the environment that MENA assets tend to thrive in. Oman was the best performing GCC bond market in August, up 1.0%, followed by the UAE and Bahrain, both up by 0.4%. Kuwait was the worst performing GCC debt market, up by only 0.25%.

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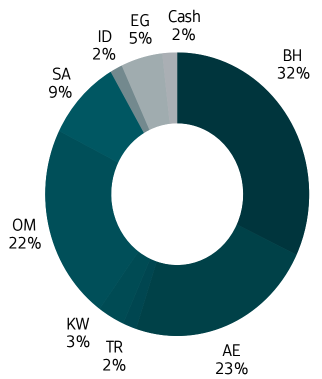
Last 1 year	5.4	3.6
Last 3 years	18.2	27.0
Annualized (last 3 years)	5.7	8.3
Since Inception (April 13 — August 21)	43.8	50.3

*Bloomberg GCC Bond Index

Country Allocation



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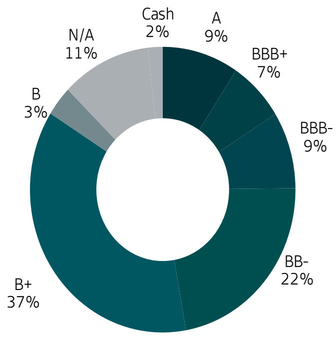

Fund Information

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Management Fee	0.75%
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Dealing Day	Wednesday
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Minimum Subscription	$ 1,000,000.00
Dividends	Semi Annual
Registrar	HSBC Middle East
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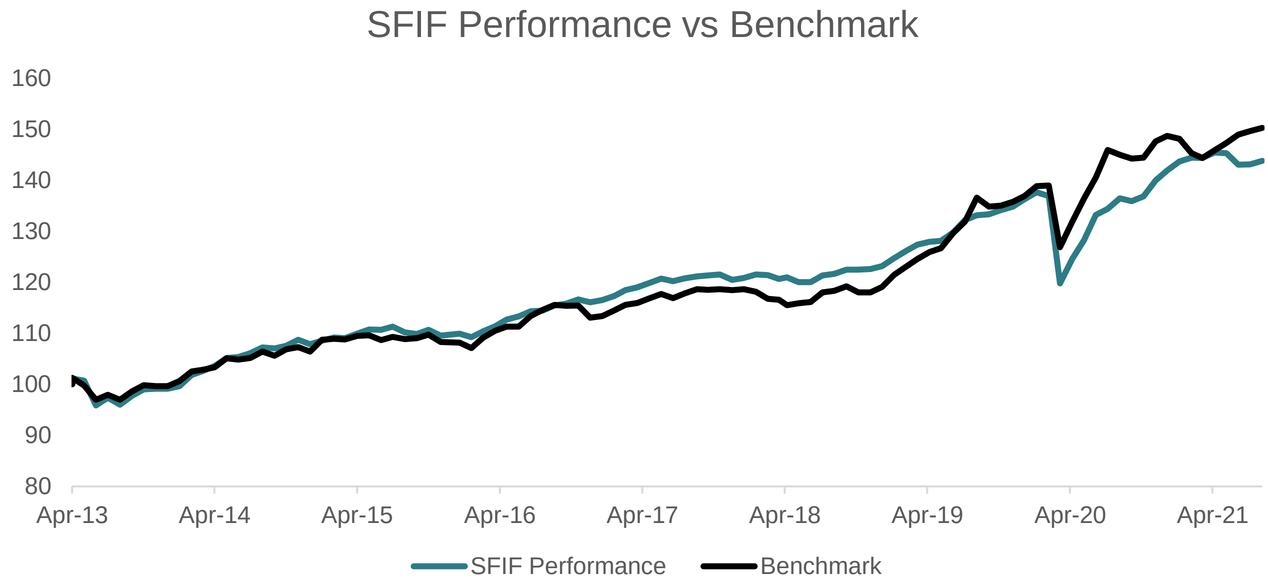
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SFIF Performance
Benchmark