

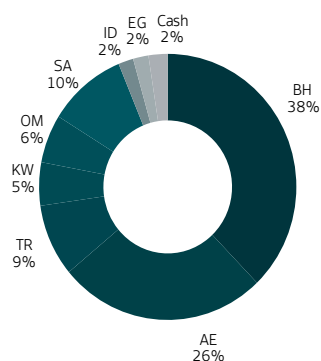
Managers Commentary

The SICO Fixed Income Fund rose by 0.4% in December and closed the year as the best performing GCC Bond Fund with a positive return of 1.6% versus 0.3% by the Barclays GCC Bond Index.

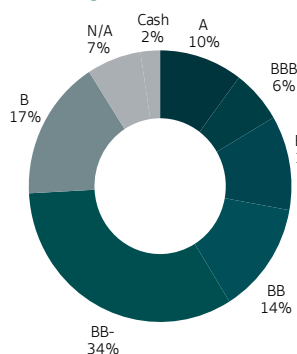
In December, markets were gripped by fear and sparked a flight to safety as 10-year treasury yields collapsed and fell by over 40 bps to drop below 2.80%. Parts of the curve inverted, causing a plunge in most asset classes as the 10-year / 2-year spread shrank to as low as 10bps during the month. GCC bonds however responded positively to the turmoil with the heavy sovereign and quasi sovereign Barclays GCC Bond Index rising by nearly 0.9% in December. A lack of liquidity and lower global spreads sparked buying and demand, especially amongst highly rated paper while other traders tried to position themselves for next month's GCC index inclusion. On the other hand, Oman lost its investment grade rating from all three major rating agencies with the sultanate now trading outside the Bahrain yield curve. Overall the average yield of GCC paper rose from 3.74% at the start of the year to close at 4.65% while Bahrain was the best performing regional bond market with a positive annual return of 4.71%.

The fund responded accordingly positive, buoyed by its overweight to Bahrain but also owing to its short duration and high yield strategy. A mix of GCC support, reforms and index conclusion proved useful and maintained buying support on the Kingdom's bonds. At the same time, we took advantage of higher real estate yields by focusing on short duration within the sector while also aligning our strategy to capitalize on higher LIBOR rates. The perpetuials provided a good source of income in the current yield-starved market while the fund's high oil beta names continued their upward trend, despite oil prices dropping to the low \$50s. Elsewhere, the fund's underweight to Oman helped to protect the gains while off-the-run issues also provided stability and low volatility. Going forward, we are wary of increasingly tight spreads and therefore aim to maintain our existing strategy, despite our dovish outlook on interest rates. Simultaneously, we will try to position the portfolio to capitalize on this year's index inclusion and increase duration within country specific themes whilst providing a stable return for the fund.

Country Allocation



Rating Allocation



Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	5.6	5.6	2/12/24	14.5
DARALA 19	5.0	6.5	5/28/19	10.1
BAHRAIN 2022	5.4	6.1	7/5/22	6.7
DEWA 2020	3.3	7.4	10/21/20	6.5

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
December 2018	0.4	0.9
YTD (December 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	0.5	-0.1
Last 6 months	2.5	2.5
Last 1 year	1.6	0.3
Last 3 years	10.9	10.0
Annualized (last 3 years)	3.5	3.2
Since Inception (April 13 — December 18)	20.9	19.1

*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 (%)	5.8	4.8
Duration (years)	2.7	6.2
Coupon (%)	6.1	4.4
Spread (bps)	299	216

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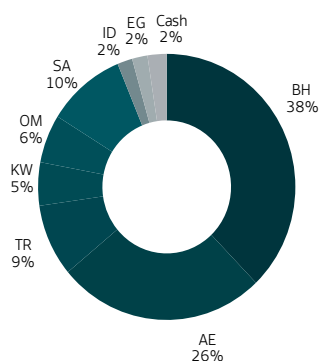
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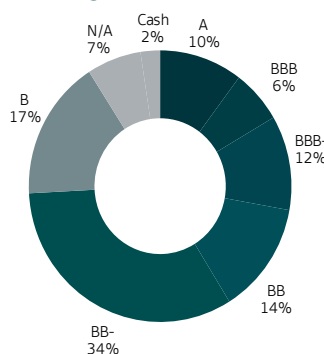
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