

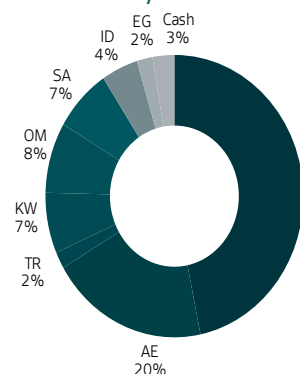
Managers Commentary

The SICO Fixed Income Fund rallied by 1.8% in July, beating its benchmark in the process as bonds and Sukuks rallied on the back of global economic pressures and a Fed rate cut.

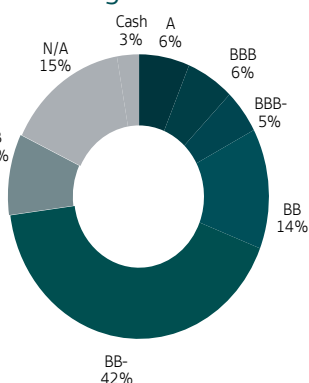
The dovish shift from developed market central banks, coupled with more uncertainty over the state of the global economy, sent bond yields lower and consequently prices higher. The US 10-year treasury rate fell below 2% for the first since 2016, while the German 10 Year hit a new low at -0.33%. In fact, the volume of negative-yielding sovereign debt around the globe reached a record of more than \$12 trillion. Interestingly, the Fed was surprisingly hawkish as the market was hoping for more stimulus but were left disappointed by the post rate cut rhetoric of Fed Chair Jerome Powell. It was however the increased uncertainty that kept yields at bay following growing tensions with Iran and the breach of their nuclear program, the continuous seizure of oil tankers, an escalation in US-Chinese tariffs as well as ongoing Hong Kong protests. Lastly, in the UK, the 2019 search for Theresa May's successor was underway, with Boris Johnson the new Prime Minister, therefore increasing the probability of a No-deal Brexit.

The Fund however marched on and was optimally positioned to reap the benefits of the global volatility with a good balance between high yield and high grade debt. Credit spreads tightened in the GCC and dropped by an average of 20 basis points, more so in the high yield space as negative economic developments were received positively by investors in anticipation of central bank easing. We also recycled maturing bonds into new issues during July, increasing the average yield of the portfolio in the process. Bahrain also continued to rally as valuations have been supported by positive technicals this year owing to the Sovereign's inclusion into the EMBIG Index and poor offer side illiquidity. This has been the main theme amongst high yielders in general, owing to its buy-and-hold investor base while high duration has been another contributor to performance this month. Going forward, we believe it is in the best interest of the fund to maintain its current strategy with most negatives priced in now. While the Fed did not signal the start of a lengthy cutting cycle, it seems they have little choice as trade wars around the world intensify, although we are skeptical of how lower rates will help.

Country Allocation



Rating Allocation



Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	4.0	5.6	2/12/24	14.7
DARALA 2022	5.8	6.9	5/28/19	7.3
BAHRAIN 2022	3.8	6.1	7/5/22	6.6
BATELCO 2020	3.9	4.3	5/1/20	6.2

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
July 2019	1.8	1.7
YTD (July 2019)	7.1	10.8
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	3.2	4.7
Last 6 months	5.8	8.5
Last 1 year	9.8	13.5
Last 3 years	13.6	14.1
Annualized (last 3 years)	4.3	4.5
Since Inception (April 13 — July 19)	29.5	31.9

*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 (%)	4.8	3.6
Duration (years)	3.4	7.1
Coupon (%)	6.0	4.4
Spread (bps)	285	150

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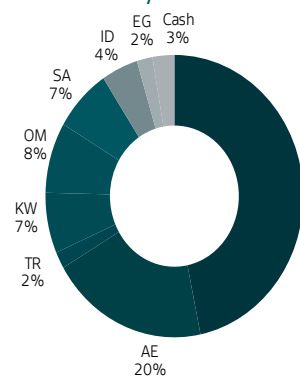
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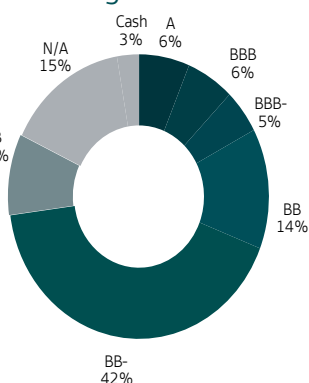
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