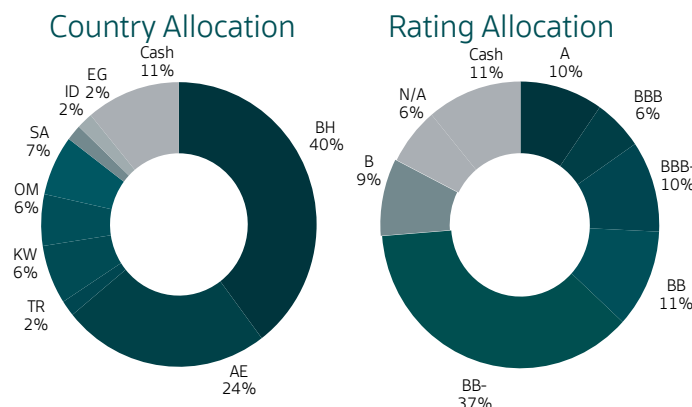


## Managers Commentary

The SICO Fixed Income Fund continued its impressive rally and jumped by 1.2% in June compared to 2.3% by the Barclays GCC Bond Index as high duration was once again the king in the current falling interest rate environment.

The call for rate cuts have become even louder than ever as traders voiced their concerns on the back of a weaker market outlook with markets pricing in at least 3 rate cuts over the next 12 months. The Federal Reserve have also acknowledged some of these concerns citing increased "uncertainties" about its economic outlook – presumably fueled by trade risk and slowing global growth. Treasury yields have plummeted to nearly 2% on the back of the dovish outlook and currently offer a 234 bps premium over German 10-year paper. Markets have also taken a cautious view on the G20 summit in June looking for signs that US/ China trade tensions could ease with India being the latest country to get involved in trade disputes with the US. GCC fixed income performed extremely well as a result and enjoyed their best month so far this year, also benefitting from higher oil prices and the index inclusion.

The Fund performed strongly against this back drop as spreads tightened with investors continuing their search for yield. We also participated in new primary issues during June by re-investing cash from maturing securities amidst low interest rates and liquidity. Long term bonds outperformed while heavyweight index names such as Saudi Arabia and Qatar saw their yields fall to nearly 3% on 10-year papers. Bahrain along with Oman continue to be the two highest yielding names in the GCC but with we remain cautious with new primary issues expected in the latter half of the year. Nevertheless, we look to substitute duration risk with credit risk as strong demand continues to be met with light supply especially amongst the lower rated credits out of Saudi, the UAE and Bahrain. Most of the expected rate cuts have already been priced in and therefore the only upside to current bond prices will be either credit or liquidity driven. Technicals play a part as well and therefore we plan to use any selloff to rearrange the fund to its targeted objectives.



## Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	4.6	5.6	2/12/24	14.6
DARALA 2022	6.6	6.9	5/28/19	7.3
BAHRAIN 2022	4.2	6.1	7/5/22	6.6
BATELCO 2020	4.2	4.3	5/1/20	6.3

## 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
June 2019	1.2	2.3
YTD (June 2019)	5.2	8.9
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)	-0.1	-0.4
Last 3 months	1.8	4.1
Last 6 months	5.2	8.9
Last 1 year	7.8	11.9
Last 3 years	11.6	13.3
Annualized (last 3 years)	3.9	4.2
Since Inception (April 13 — June 19)	27.1	29.6

\*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 (%)	4.7	3.6
Duration (years)	3.0	7.1
Coupon (%)	5.8	4.4
Spread (bps)	279	157

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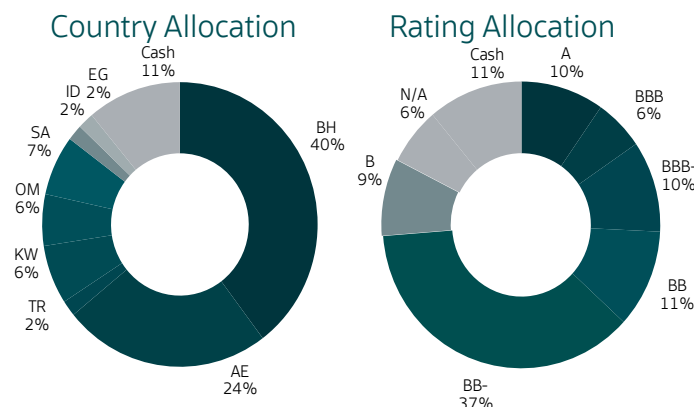
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