

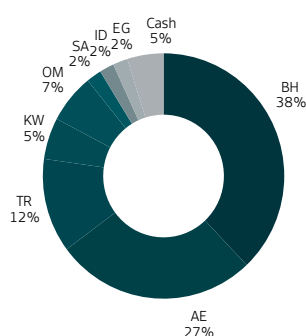
Managers Commentary

The SICO Fixed Income Fund remained flat in June in what turned out to become a very volatile month which saw its benchmark, the Barclays GCC Bond Index rise by 0.1%.

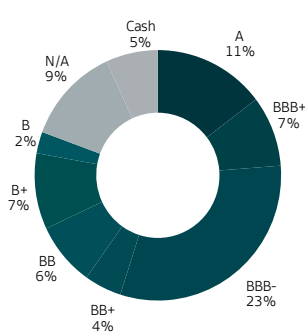
The prospect of further trade wars between the US and China continued to unsettle markets and lead to outflows from emerging markets assets with little regard for underlying macro fundamentals. Trade tensions also resulted in a strengthening of the yield curve with 10-year treasuries dropping to 2.85% and benefitting mainly high quality securities. A lack of new issues from the GCC, with the last one being nearly almost 2 months away also kept a strong bid on regional bonds however on the back of very thin liquidity. Elsewhere oil prices provided a short term boost with Brent topping \$79 in June, its highest levels in over 43 months and is likely to reduce funding needs for GCC sovereigns this year. Markets also welcomed the announcement of Saudi Arabia, UAE and Kuwait's financial support towards Bahrain amidst the Kingdom's mounting indebtedness and heightening global risk aversion, lifting the value of Bahrain Government bonds.

The portfolio however underperformed due to its large overweight in Bahrain (38% vs 7%) as the bonds are still recovering post the support announcement after having dropped as much as 5 dollars during the month. Although the support announcement lacks details, we expect Bahrain to receive explicit and conditional GCC support prior to its November 2018 \$750m Sukuk maturity along with a credible medium-term fiscal adjustment plan from its own authorities and should boost our performance going forward. We also expect a boost from the fund's Bahraini corporate securities which have lagged the rally in the Government Bonds. In the meantime, our exposure to Turkey and Egypt will continue to act as a good diversifier with perpetuals offering stable income and support in the current interest rate rising environment. Also with over 10% in floating rate securities and underweight duration risk, the fund is strongly positioned to take advantage of higher interest rates.

Country Allocation



Rating Allocation



Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	6.5	5.6	2/12/24	14.2
DEWA 2020	3.5	7.4	10/21/20	6.7
BAHRAIN 2022	6.7	6.1	7/5/22	6.4
BATELCO 20	6.5	4.3	5/1/20	6.4

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 2018	0.0	0.1
YTD (June 2018)	-0.9	-2.3
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	-0.6	-0.5
Last 6 months	-0.9	-2.3
Last year	-0.5	-0.8
Last 3 years	7.3	6.7
Annualized (last 3 years)	2.4	2.2
Since Inception (April 13 — June 18)	18.0	16.0

*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
Duration (years)	2.8	6.4
Yield to Maturity (%)	5.7	4.7
Coupon (%)	5.9	4.4
Spread (bps)	278.0	197.0

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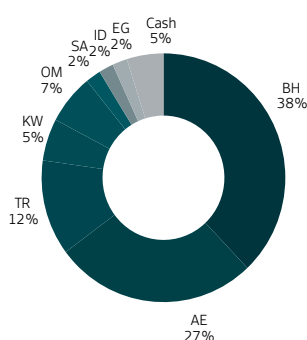
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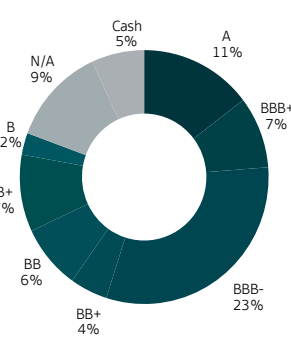
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