

## Managers Commentary

The SICO Fixed Income Fund dropped slightly in May by 0.1% due its low duration as treasuries stabilized and EM bonds saw a slight increase in inflows with markets now focusing on economic restart and inflation.

GCC bonds have had another decent month and grinded higher on the stronger economic backdrop driven by higher oil prices, easy credit access and supportive policies. The 10-year treasuries have now stabilized in the 1.60% region as the global recovery appears fully priced in and increasing noise from data has brought on challenges for investors without providing definitive direction. US non-farm payrolls for example surprised low (266k vs 650k) and inflation surprised high (4.2%) in the recent April reports. Elsewhere investors had to weigh in the benefits of President Biden's mega spending plan (\$6.0 trillion) with less growth friendly tighter policies including tax increases. Nevertheless, the constructive global narrative has remained intact and has pushed up the prices of GCC bonds this month, especially with Brent back at \$70 a barrel. Saudi and Qatar were the outperformers (both up 1.4%) while the rest of the block also did well with the exception of Oman on the back of local unrests in the country. Spreads of GCC bonds have grinded lower to 149 bps (previous month 155 bps) as well as yields to 2.72% (previous month 2.81%).

The fund therefore underperformed despite its defensive positioning in line with our market views due to a particular security which has dropped by 8.0% in May and detracted around 0.3% from the performance. The rest of the underperformance can be attributed to our non-exposure to Qatar which did well in May but most importantly our underweight duration (3.5 vs 8.1 years). These were cautious decisions given our concerns of higher inflation, tight valuations in EM fixed income and low FX carry with a stronger dollar emerging. We see these as low Sharpe ratio segments that have a poor risk/reward skew in a sideways spread regime. Nevertheless, our focus has moved to relative value opportunities which have done well in the case of our Bahrain and Oman exposure, particular in the quasi sovereign and sukuk sector, driven by higher oil prices and limited supply. In fact, a large part of the fund's returns this month were driven by its non-GCC exposure, with Egypt and Turkey doing particularly well. The fund's pecking order continues to be (HY > IG) and (low duration > higher duration) given the current mid-cycle conditions and late-cycle valuations which continue to bear fruit again over the next few periods.

Against this backdrop, we believe that the fund's returns going forward will largely be driven by carry rather than beta and capital appreciation although, we continue to look for new regional catalysts to undermine our investment themes. In that process, we believe that our credit picks surrounding the momentum in higher oil prices as well as the upcoming Expo 2020 will support the fund's positive performance over the next coming months. We will also continue buying any dips that we see.

## 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

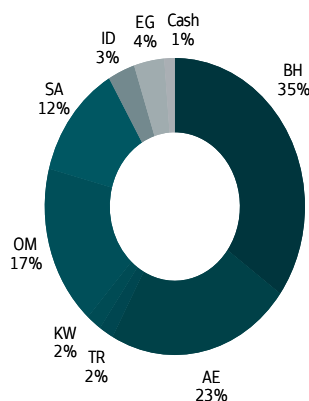
Low Volatility

Excellent Vehicle for medium to long term investing

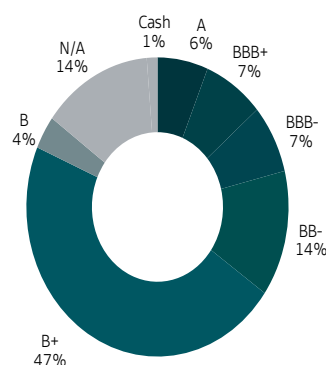
Returns (%)	Fund	Index*
May 2021	-0.1	1.0
YTD (May 2021)	2.3	-0.9
2020	3.8	8.6
2019	10.3	15.0
2018	1.6	0.3
2017	3.5	4.7
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	0.5	1.4
Last 6 months	3.7	-0.2
Last 1 year	12.9	8.0
Last 3 years	19.9	27.2
Annualized (last 3 years)	6.3	8.3
Since Inception (April 13 — May 21)	41.5	47.4

\*Barclays GCC Bond Index

## Country Allocation



## Rating Allocation



## Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	2.8	5.6	2/12/24	14.4
BOSUH 2024	2.6	4.0	9/18/24	7.7
DARALA 2022	2.8	6.9	4/10/22	7.2
OMGRID 2031	5.0	5.8	2/3/21	6.4

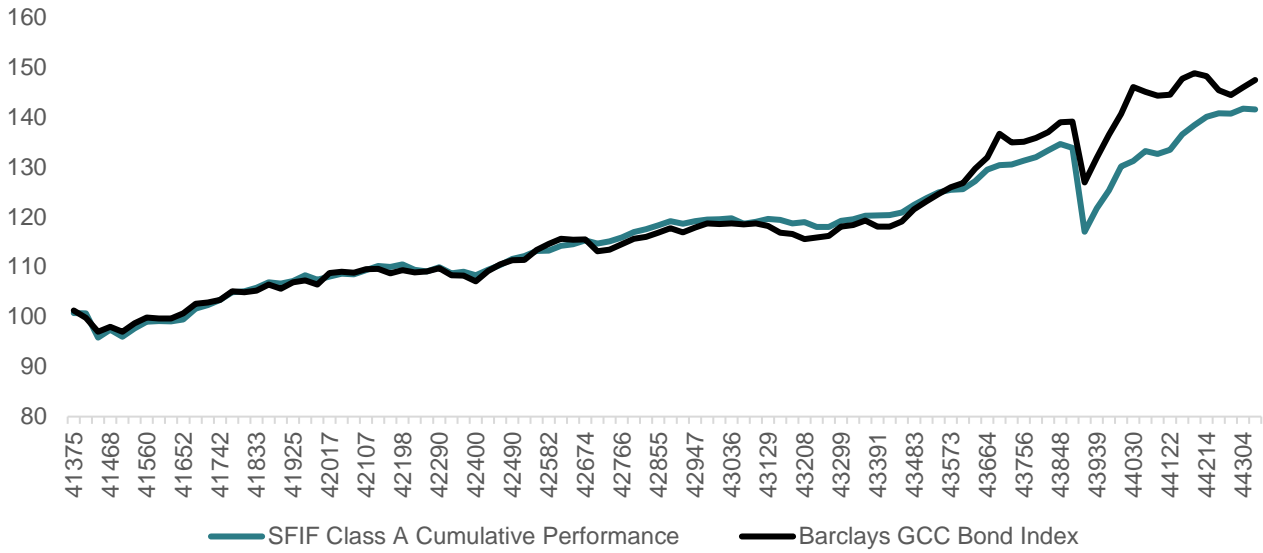
## Fund Information

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 (%)	4.4	2.7
Duration (years)	3.5	8.1
Coupon (%)	5.7	4.1
Spread (bps)	370	151

## SFIF Class A Vs. Benchmark Performance



This report should not be considered an offer to sell, or a solicitation to buy, shares mentioned herein. Past performance is no indication of future results. Fund historical performance does not promise the same or similar results in the future. Principal value, share prices and investment returns fluctuate with changes in market conditions. The information contained herein has been compiled from sources believe to be reliable; however SICO BSC(c) does not guarantee its accuracy or completeness. Opinions, forecasts and estimates constitute our judgment as of the date of this report and are subject to change without notice. This report is not a solicitation of an order to buy or sell securities or to provide investment advice or service. SICO or its affiliates may from time to time engage in long or short positions in the securities mentioned herein. SICO or its affiliates may act as principal, agent or market maker or provide other services to the issuers of securities mentioned herein. This report is provided for information purposes only and may not be copied or distributed to any other person without the prior written consent of SICO

SICO BSC(c) claims compliance with the Global Investment Performance Standards (GIPS®). SICO BSC(c) is a closed joint stock company registered in Bahrain and operates a wholesale banking license from the Central Bank of Bahrain. The company is registered with the Ministry of Industry and Commerce and is listed on the Bahrain Stock Exchange as a closed company. To receive a list of composite descriptions and/or a presentation that complies with the GIPS standards, write to [asset.management@sicobahrain.com](mailto:asset.management@sicobahrain.com), or call 973 17 515000.

## Managers Commentary

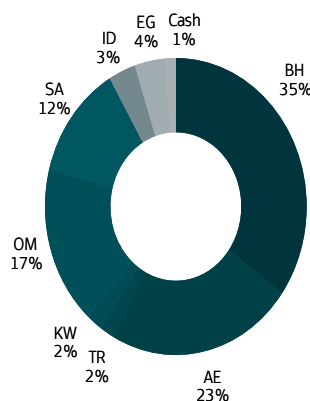
The SICO Fixed Income Fund dropped slightly in May by 0.1% due its low duration as treasuries stabilized and EM bonds saw a slight increase in inflows with markets now focusing on economic restart and inflation.

GCC bonds have had another decent month and grinded higher on the stronger economic backdrop driven by higher oil prices, easy credit access and supportive policies. The 10-year treasuries have now stabilized in the 1.60% region as the global recovery appears fully priced in and increasing noise from data has brought on challenges for investors without providing definitive direction. US non-farm payrolls for example surprised low (266k vs 650k) and inflation surprised high (4.2%) in the recent April reports. Elsewhere investors had to weigh in the benefits of President Biden's mega spending plan (\$6.0 trillion) with less growth friendly tighter policies including tax increases. Nevertheless, the constructive global narrative has remained intact and has pushed up the prices of GCC bonds this month, especially with Brent back at \$70 a barrel. Saudi and Qatar were the outperformers (both up 1.4%) while the rest of the block also did well with the exception of Oman on the back of local unrests in the country. Spreads of GCC bonds have grinded lower to 149 bps (previous month 155 bps) as well as yields to 2.72% (previous month 2.81%).

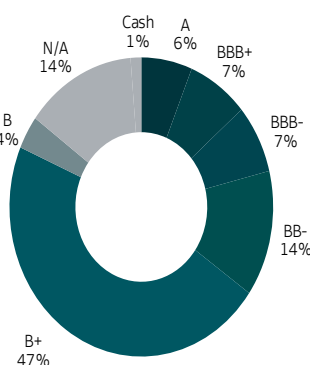
The fund therefore underperformed despite its defensive positioning in line with our market views due to a particular security which has dropped by 8.0% in May and detracted around 0.3% from the performance. The rest of the underperformance can be attributed to our non-exposure to Qatar which did well in May but most importantly our underweight duration (3.5 vs 8.1 years). These were cautious decisions given our concerns of higher inflation, tight valuations in EM fixed income and low FX carry with a stronger dollar emerging. We see these as low Sharpe ratio segments that have a poor risk/reward skew in a sideways spread regime. Nevertheless, our focus has moved to relative value opportunities which have done well in the case of our Bahrain and Oman exposure, particular in the quasi sovereign and sukuk sector, driven by higher oil prices and limited supply. In fact, a large part of the fund's returns this month were driven by its non-GCC exposure, with Egypt and Turkey doing particularly well. The fund's pecking order continues to be (HY > IG) and (low duration > higher duration) given the current mid-cycle conditions and late-cycle valuations which continue to bear fruit again over the next few periods.

Against this backdrop, we believe that the fund's returns going forward will largely be driven by carry rather than beta and capital appreciation although, we continue to look for new regional catalysts to undermine our investment themes. In that process, we believe that our credit picks surrounding the momentum in higher oil prices as well as the upcoming Expo 2020 will support the fund's positive performance over the next coming months. We will also continue buying any dips that we see.

## Country Allocation



## Rating Allocation



## Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	2.8	5.6	2/12/24	14.4
BOSUH 2024	2.6	4.0	9/18/24	7.7
DARALA 2022	2.8	6.9	4/10/22	7.2
OMGRID 2031	5.0	5.8	2/3/21	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*
May 2021	-0.1	1.0
YTD (May 2021)	2.4	-0.9
2020	4.2	8.6
2019	10.6	15.0
2018	1.9	0.3
2017	3.7	4.7
2016	6.0	4.8
2015	1.9	1.7
2014	8.8	6.8
2013 (April till December 2013)	-0.8	-0.4
Last 3 months	0.6	1.4
Last 6 months	3.8	-0.2
Last 1 year	13.3	8.0
Last 3 years	21.1	27.2
Annualized (last 3 years)	6.6	8.3
Since Inception (April 13 — May 21)	45.3	47.4

\*Barclays GCC Bond Index

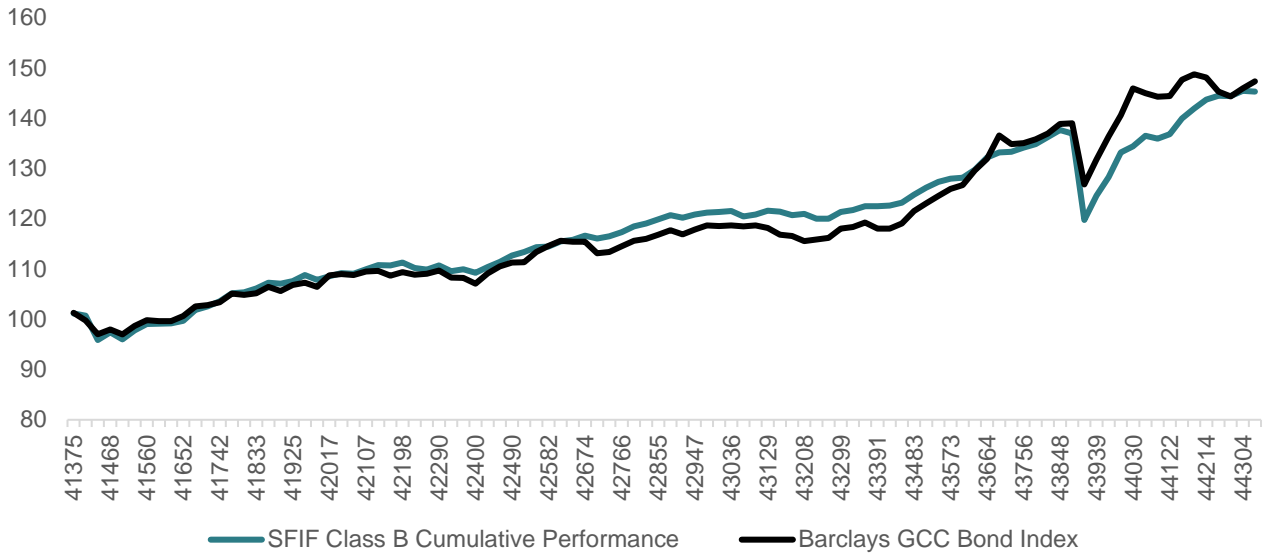
## Fund Information

Launch Date	April 2013
Management Fee	0.75%
Subscription & Redemption	Weekly
Dealing Day	Wednesday
Subscription & Redemption Deadline	Two business days before dealing day
Minimum Subscription	\$ 1,000,000.00
Dividends	Semi Annual
Registrar	HSBC Middle East
Custodian/Administrator	HSBC Middle East

## Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	4.4	2.7
Duration (years)	3.5	8.1
Coupon (%)	5.7	4.1
Spread (bps)	370	151

## SFIF Class B Vs. Benchmark Performance



This report should not be considered an offer to sell, or a solicitation to buy, shares mentioned herein. Past performance is no indication of future results. Fund historical performance does not promise the same or similar results in the future. Principal value, share prices and investment returns fluctuate with changes in market conditions. The information contained herein has been compiled from sources believed to be reliable; however SICO BSC(c) does not guarantee its accuracy or completeness. Opinions, forecasts and estimates constitute our judgment as of the date of this report and are subject to change without notice. This report is not a solicitation of an order to buy or sell securities or to provide investment advice or service. SICO or its affiliates may from time to time engage in long or short positions in the securities mentioned herein. SICO or its affiliates may act as principal, agent or market maker or provide other services to the issuers of securities mentioned herein. This report is provided for information purposes only and may not be copied or distributed to any other person without the prior written consent of SICO. SICO BSC(c) claims compliance with the Global Investment Performance Standards (GIPS®). SICO BSC(c) is a closed joint stock company registered in Bahrain and operates a wholesale banking license from the Central Bank of Bahrain. The company is registered with the Ministry of Industry and Commerce and is listed on the Bahrain Stock Exchange as a closed company. To receive a list of composite descriptions and/or a presentation that complies with the GIPS standards, write to [asset.management@sicobahrain.com](mailto:asset.management@sicobahrain.com), or call 973 17 515000.