

Managers Commentary

The SICO Fixed Income Fund managed to keep its calm and traded flat in September as the rest of the GCC fixed income market succumbed to the pressures of higher treasury yields and volatility.

GCC debt markets are experiencing an eventful start to the autumn season with the Fed sending a strong signal that it could announce tapering in November, along with developments around Evergrande and possible default scenarios as well as the surge in oil prices this month have injected a heightened degree of volatility into MENA and broader risk assets. 10-year treasury yields for instance broke through their 1.20% - 1.30% range and topped 1.55% in September, lifted by optimism about the economic outlook and the prospects of tighter monetary policy, especially as concerns and supply bottlenecks around the Delta variant dissipate. Oil prices mimicked the optimistic trend with Brent touching \$80 for the first time since October 2018 due to business re-openings, strong consumer demand and falling coronavirus cases. However the market response to Evergrande has been negative as seen by the outflows of funds tracking far east Asia, particularly hurting EM and high yield securities from the region. While any spillover/ contagion into the GCC is likely to be muted, the doubt and uncertainty on the Chinese policy response to the situation remain and may keep investors away for the time being until there is more clarity. The GCC fixed income market therefore ended the month in the red due to the surge in treasury yields. Saudi and Qatar were the worst performing bond markets in September (both down by 0.9%) given their correlation with interest rates. On the other hand, Bahrain was the best performing bond market despite ending the month 0.2% lower, helped by news that it would double its VAT to 10% while simultaneously extending its GCC support package by 2 years to 2024.

The SICO Fixed Income Fund therefore managed to protect most of its gains this month despite the heightened volatility, owing to its defensive strategy, low duration and security selection. The fund's Bahraini securities for example rose by an average of 0.8% despite the Bahrain Bond Index closing negative, benefitting from its exposure to Sukuks which tend to be less volatile, while Bahraini corporates outperformed on the back of higher oil prices. It was a similar theme across the fund's other exposures as corporates in general outperformed government securities. This was most evident in Oman especially as decompression trades between HY and IG remains the main theme to observe across the GCC complex. The fund's Kuwaiti exposure also made a comeback in September after months of underperformance while perpetual securities were well sought after for their high yield and stability as liquid bonds continued to selloff. The Fund also benefitted from its off-the-run bets with Turkey contributing nearly half of this month's returns despite making up only 5% of the fund. Otherwise the turmoil in September has opened up valuation gaps between fixed income securities, providing us with a platform of opportunities going forward, especially among relative value trades.

EM assets in general stand to benefit from the continued global economic recovery and policy accommodation. The Central Bank reduction in stimulus may pose risks, but they seem well flagged and priced by now, while low cross-market volatility and generous risk premia are likely to support EM flows. We expect further spread compression amongst GCC bonds, driven by the surge in oil prices to \$80 and are sanguine about the prospect of GCC corporate earnings as a result. Also with most of the high quality fixed income assets at negative real rates, the lack of alternatives should support risk assets and EM, though it is a closer call now. As a result, we are overweight HY with a larger exposure to non-IG governments and Sukuks along with remaining underweight duration.

Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	3.0	5.6	2/12/24	12.6
BOSUH 2024	2.9	4.0	9/18/24	6.8
OMGRID 2031	4.9	5.8	2/3/21	5.7

Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	5.1	2.7
Duration (years)	4.1	8.1
Coupon (%)	5.5	4.0
Spread (bps)	420	150

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

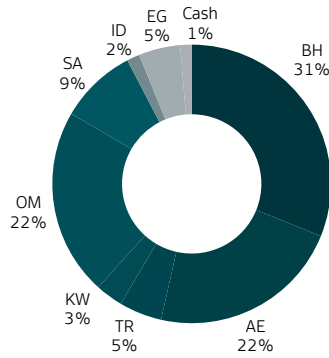
Returns (%)	Fund	Index*
September 2021	0.0	-0.8
YTD (September 2021)	1.1	0.3
2020	3.8	8.6
2019	10.3	15.0
2018	1.6	0.3
2017	3.4	4.7
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	0.5	0.1
Last 6 months	-0.5	3.3
Last 1 year	5.5	3.4
Last 3 years	16.4	25.1
Last 5 years	22.2	29.3
Since Inception (April 13 - September 21)	39.9	49.2

*Bloomberg GCC Bond Index

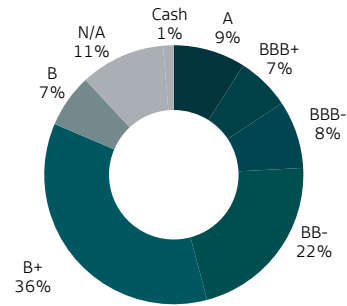
Fund Information

Launch Date	April 2013
Strategy	Capital Preservation & Income
Geography	MENA with focus on GCC
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

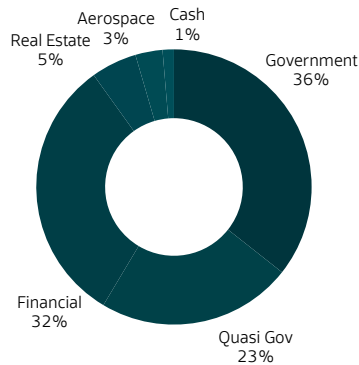
Country Allocation



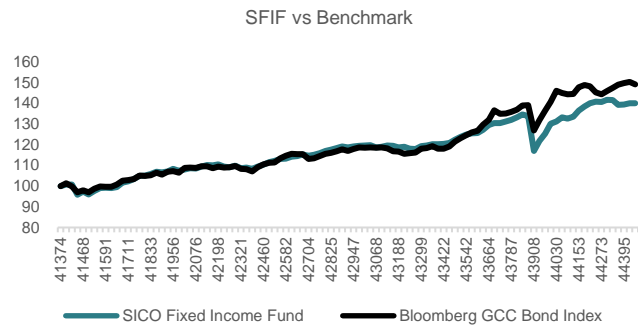
Rating Allocation



Sector Allocation



Cumulative Performance



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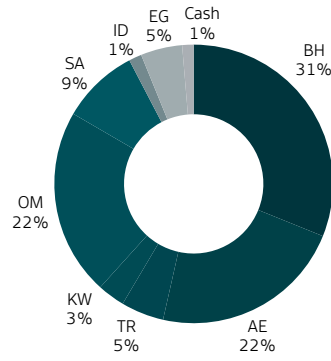
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2017	3.7	4.7
2016	6.0	4.8
2015	1.9	1.7
2014	8.8	6.8
2013 (April till December 2013)	-0.8	-0.4
Last 3 months	0.6	0.1
Last 6 months	-0.4	3.3
Last 1 year	5.8	3.4
Last 3 years	17.5	25.1
Last 5 years	24.2	29.3
Since Inception (April 13 — September 21)	43.9	49.2

*Bloomberg GCC Bond Index

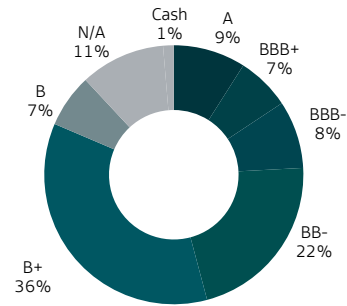
Fund Information

Launch Date	April 2013
Strategy	Capital Preservation & Income
Geography	MENA with focus on GCC
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

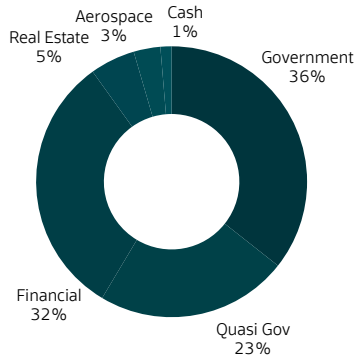
Country Allocation



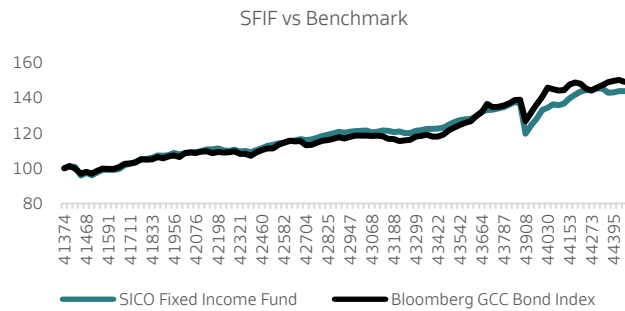
Rating Allocation



Sector Allocation



Cumulative Performance



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