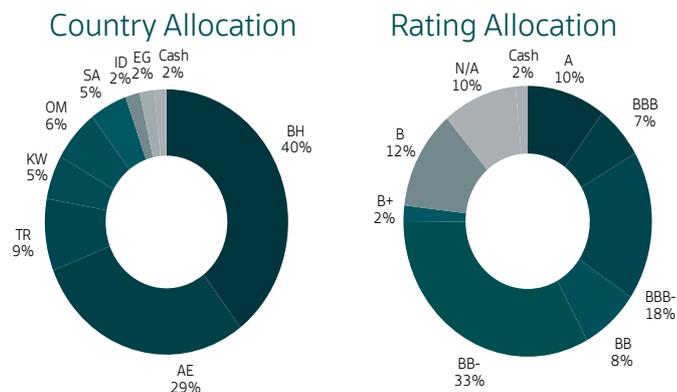


## Managers Commentary

The SICO Fixed Income Fund maintained its performance in October and remained flat as regional credit market went into correction territory with the Barclays GCC Bond Index falling over 1.0%.

GCC Bonds and Sukuks came under pressure due to higher interest rates as 10-year treasuries reached 3.23% in October; their highest level in seven years. Positive macro-economic data coming out of the US, particularly private payrolls were much stronger than forecast and increased the probability of a 4th rate hike this year in December. Market nerves were also elevated throughout most of the month following events that took place in the Saudi consulate in Istanbul and increased political pressure in the GCC region. Long term Saudi bonds for instance were down as much as 6 dollars as a result, with the burden also spilling over into quasi sovereign sector. Investors were quick to de-risk and a series of positive months by the regional bond indices also encouraged traders to book their gains, especially as the market reaches its last phase of the year.

The fund however performed strongly in light of these volatile events owing to its short duration and high yield strategy. We also benefitted from our overweight to Bahrain buoyed by the aid package while having minimal exposure to Saudi. We expect this composition to remain unchanged as the GCC commitment should improve the credit profile and reduce spreads over Saudi Arabia's government curve, especially with the EMBI inclusion next year. The fund also received a boost from its Turkish exposure as bonds continued to rally and recover their losses from previous months. Sentiment around Turkey has improved in recent weeks, notably due to the release of US Pastor Brunson. The aggressive 625bps hike delivered by the CBRT in September and the recent appreciation of the lira also kept expectations of a further increase at bay. In the meantime, we re-invested cash into short term opportunities that are expected to mature in line with higher interest rates to optimally set up the portfolios for next year.



## Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	6.0	5.6	2/12/24	14.4
BAHRAIN 2022	5.8	6.1	7/5/22	6.6
DEWA 2020	3.6	7.4	10/21/20	6.5
BATELCO 2020	5.4	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
October 2018	0.0	-1.0
YTD (October 2018)	1.1	-0.6
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	0.9	0.0
Last 6 months	1.1	2.2
Last 1 year	0.5	-0.6
Last 3 years	9.4	7.6
Annualized (last 3 years)	3.1	2.5
Since Inception (April 13 — October 18)	20.3	18.0

\*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
Yield to Maturity (%)	6.0	4.8
Duration (years)	2.7	6.3
Coupon (%)	6.3	4.4
Spread (bps)	287	170

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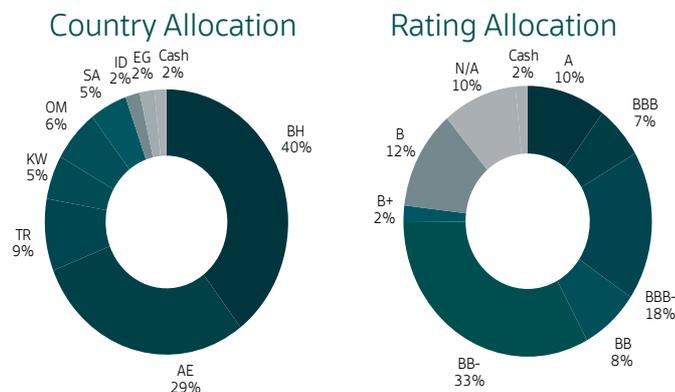
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Last 3 years	10.7	7.6
Annualized (last 3 years)	3.4	2.5
Since Inception (April 13 — October 18)	22.5	18.0

\*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
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