Managers Commentary

The SICO Fixed Income Fund fell by 0.1% in October but outperformed strongly as the rest of the market experienced another weak month with GCC bonds and Sukuks falling by over 1.4% on the back of higher treasury rates.

Treasury yields surged again during the month driven by stronger-than-expected inflation of 8.2% in the September reading with markets positioning for a higher terminal rate and demanding a higher term premium to compensate for duration risk in the current volatile environment. Overall, treasuries faced a bear steepening environment with the 2-year up by 20 bps, the 10-year by 22 bps and the 30-year by 38 bps given expectations of a higher terminal rate (from 4.75% to 5.0%) and more volatility as the US enters a challenging 2023 environment trying to bring down inflation while stave off a recession. The US economy has, however, been surprisingly resilient in the face of 300bp of rate hikes as well as rising consumer prices. The first estimate of Q3 GDP came in above market expectations at 2.6% quarter-on-quarter annualized and showed robust – albeit slowing – growth in personal consumption. Headline CPI eased to 8.2% year-on-year in September from a 2022-peak of 9.1% in June but core inflation (which excludes food and energy) accelerated to 6.6% in September – more than three times the Fed's 2% target – on higher housing, transportation and medical care costs.

As a result, it was the duration sensitive names such as Saudi, Qatar and the UAE that underperformed as they fell by 2.6% and 1.6% respectively, also daunted by fresh IG issuance with KSA, PIFS and Mubadala issuing \$9 billion during October. Bahrain and Oman were however more resilient and rose by 0.4% and 2.1% driven by higher oil prices (Brent up 8%) but also a rally in broader EM following some much-needed relief from headwinds that have buffeted them over the past quarter. A combination of overweight cash and underweight EM investor positioning, along with light dealer positioning and short covering amidst a possibility of a dovish tilt by the Fed in the upcoming November meeting has caused a relief rally with Bahrain and Oman benefiting given their sweet spot in the GCC. The fund therefore performed strongly given its underweight duration position and was boosted due to its overweight to positive return generating countries such as Bahrain and Oman. In particularly Oman did very well with 5 of out of the top 10 securities in the Fund all being from the Sultanate as their bonds are finally starting to benefit from the recent buybacks along with the strong oil prices following the OPEC+ cut by 2 million barrels per day. The fund's off-benchmark bets in Egypt also paid off very well as they gained by 6% last month as investors looked for bargains and quick trades amidst an average cash price of \$68 and optimism that an upcoming loan from the IMF (\$3 billion) along with a financial boost from oil-rich allies in the GCC will ease the country's debt crisis in the short term. Bahraini bonds also muddled through and boosted the fund's performance on the back of technicals as the Kingdom's beat-down bonds recover following last month's underperformance. Sukuks also held their ground while the fund's perps offered some stability given their high coupons and recent underperformance. Nevertheless, the Fund was immune to October's rout as long-term names out of the UAE and KSA dragged down some of the performance.

Going forward, we think that treasury yields look vulnerable to further volatility as the Fed signals a higher terminal rate but at a slower pace going forward whilst remaining largely data dependent. Following November's 75 bps rate hike investors will be looking for further inflation data to gauge whether to stay in low duration or go longer in fear of missing out on a possible treasury rally as the possibility of a recession build up. The new terminal rate also remains unsure with markets pricing it currently at 5.1% although it could be much higher, especially as the labour market remains solid and inflation seems to be broadening. It also seems to be an ominous sign for the global bond market as short-term rates are not pricing in fully the higher terminal rates with the 2-year at only 4.65% (vs 5.1% terminal rate —or potentially higher) while the term premium is not high enough to compensate investors for the duration risk in the current environment. GCC spreads also seem on the tighter side after spreads have rallied by 20 bps over the last 2 weeks with our SICO spread gauge now neutral. As a result, we maintain our short duration stance and will selectively look for names that have either significantly widened in spreads or if treasury yields move substantially higher.

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 2022	-0.1	-1.5
YTD October 2022	-6.8	-15.2
2021	1.2	1.2
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	-1.1	-7.4
Last 6 months	-3.9	-7.3
Last 1 year	-7.0	-14.5
Last 3 years	-0.6	-5.5
Last 5 years	9.0	7.5
Since Inception (April 13 - October 22)	30.5	27.6

^{*}Bloomberg GCC Bond Index

Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	5.5	5.6	2/12/24	13.2
BOSUH 2024	6.7	4.0	9/18/24	7.0
OMGRID 2031	7.8	5.8	2/3/31	5.2

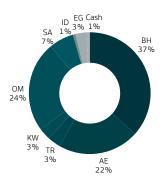
Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	6.9	5.9
Duration (years)	3.3	6.6
Coupon (%)	5.4	4.0
Spread (bps)	385	162

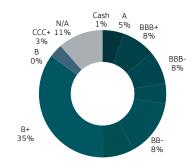
Fund Information

Launch Date	April 2013
Strategy	Capital Preservation & Income
Geography	MENA with focus on GCC
Management Fee	1.00%
Subscription & Redemption	Weekly
Dealing Day	Wednesday
	Two business days before
Subscription & Redemption Deadline	Two business days before dealing day
Subscription & Redemption Deadline Minimum Subscription	•
	dealing day
Minimum Subscription	dealing day \$ 100,000.00
Minimum Subscription Dividends	\$ 100,000.00 Semi Annual

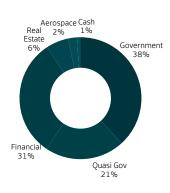
Country Allocation



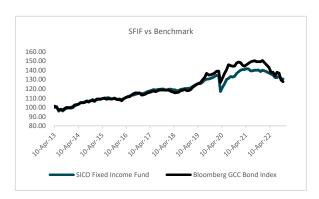
Rating Allocation



Sector Allocation



Cumulative 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 added 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) disans compliance with the Global Investment Performance Standards (GIPS³). SICO BSC(c) is a closed joint stock of 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 comp any. To receive a list of composite descriptions and/or a presentation that complies with the GIPS standards, write to asset management@sicobahrain.com, or call 973 17 515000.



Managers Commentary

The SICO Fixed Income Fund fell by 0.1% in October but outperformed strongly as the rest of the market experienced another weak month with GCC bonds and Sukuks falling by over 1.4% on the back of higher treasury rates.

Treasury yields surged again during the month driven by stronger-than-expected inflation of 8.2% in the September reading with markets positioning for a higher terminal rate and demanding a higher term premium to compensate for duration risk in the current volatile environment. Overall, treasuries faced a bear steepening environment with the 2-year up by 20 bps, the 10-year by 22 bps and the 30-year by 38 bps given expectations of a higher terminal rate (from 4.75% to 5.0%) and more volatility as the US enters a challenging 2023 environment trying to bring down inflation while stave off a recession. The US economy has, however, been surprisingly resilient in the face of 300bp of rate hikes as well as rising consumer prices. The first estimate of Q3 GDP came in above market expectations at 2.6% quarter-on-quarter annualized and showed robust – albeit slowing – growth in personal consumption. Headline CPI eased to 8.2% year-on-year in September from a 2022-peak of 9.1% in June but core inflation (which excludes food and energy) accelerated to 6.6% in September – more than three times the Fed's 2% target – on higher housing, transportation and medical care costs.

As a result, it was the duration sensitive names such as Saudi, Qatar and the UAE that underperformed as they fell by 2.6% and 1.6% respectively, also daunted by fresh IG issuance with KSA, PIFS and Mubadala issuing \$9 billion during October. Bahrain and Oman were however more resilient and rose by 0.4% and 2.1% driven by higher oil prices (Brent up 8%) but also a rally in broader EM following some much-needed relief from headwinds that have buffeted them over the past quarter. A combination of overweight cash and underweight EM investor positioning, along with light dealer positioning and short covering amidst a possibility of a dovish tilt by the Fed in the upcoming November meeting has caused a relief rally with Bahrain and Oman benefiting given their sweet spot in the GCC. The fund therefore performed the spot in the GCC. strongly given its underweight duration position and was boosted due to its overweight to positive return generating countries such as Bahrain and Oman. In particularly Oman did very well with 5 of out of the top 10 securities in the Fund all being from the Sultanate as their bonds are finally starting to benefit from the recent buybacks along with the strong oil prices following the OPEC+ cut by 2 million barrels per day. The fund's off-benchmark bets in Egypt also paid off very well as they gained by 6% last month as investors looked for bargains and quick trades amidst an average cash price of \$68 and optimism that an upcoming loan from the IMF (\$3 billion) along with a financial boost from oil-rich allies in the GCC will ease the country's debt crisis in the short term. Bahraini bonds also muddled through and boosted the fund's performance on the back of technicals as the Kingdom's beat-down bonds recover following last month's underperformance. Sukuks also held their ground while the fund's perps offered some stallity given their high coupons and recent underperformance. Nevertheless, the Fund was not fully immune to October's rout as long-term names out of the UAE and KSA dragged down some of the performance

Going forward, we think that treasury yields look vulnerable to further volatility as the Fed signals a higher terminal rate but at a slower pace going forward whilst remaining largely data dependent. Following November's 75 bps rate hike investors will be looking for further inflation data to gauge whether to stay in low duration or go longer in fear of missing out on a possible treasury rally as the possibility of a recession build up. The new terminal rate also remains unsure with markets pricing it currently at 5.1% although it could be much higher, especially as the labour market remains solid and inflation seems to be broadening. It also seems to be an ominous sign for the global bond market as short-term rates are not pricing in fully the higher terminal rates with the 2-year at only 4.65% (vs 5.1% terminal rate — or potentially higher) while the term premium is not high enough to compensate investors for the duration risk in the current environment. GCC spreads also seem on the tighter side after spreads have rallied by 20 bps over the last 2 weeks with our SICO spread gauge now neutral. As a result, we maintain our short duration stance and will selectively look for names that have either significantly widened in spreads or if treasury yields move substantially higher.

Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	5.5	5.6	2/12/24	13.2
BOSUH 2024	6.7	4.0	9/18/24	7.0
OMGRID 2031	7.8	5.8	2/3/31	5.2

Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	6.9	5.9
Duration (years)	3.3	6.6
Coupon (%)	5.4	4.0
Spread (bps)	385	162

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

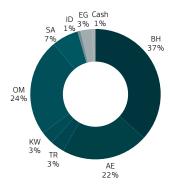
Returns (%)	Fund	Index*
October 2022	-0.1	-1.5
YTD October 2022	-6.6	-15.2
2021	1.5	1.2
2020	4.2	8.6
2019	10.6	15.0
2018	1.9	0.3
2017	3.7	4.7
2016	6.0	4.8
2015	1.9	1.7
2014	8.8	6.8
2013 (April till December 2013)	-0.8	-0.4
Last 3 months	-1.0	-7.4
Last 6 months	-3.8	-7.3
Last 1 year	-6.7	-14.5
Last 3 years	0.4	-5.5
Last 5 years	10.8	7.5
Since Inception (April 13 - October 22)	34.6	27.6

^{*}Bloomberg GCC Bond Index

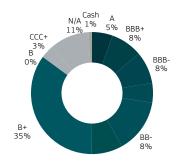
Fund Information

April 2013
Capital Preservation & Income
MENA with focus on GCC
0.75%
Weekly
Wednesday
Two business days before
dealing day
\$ 1,000,000.00
Semi Annual
HSBC Middle East
HSBC Middle East

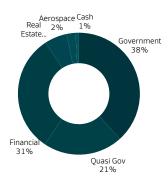
Country Allocation



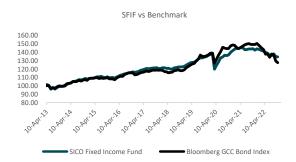
Rating Allocation



Sector Allocation



Cumulative 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 SICO BSC(c) claims compliance with the Global Investment Performance Standards (GIPS*). SICO BSC(c) is a closed joint stock or 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 comp any. To receive a list of composite descriptions and/or a presentation that complies with the GIPS standards, write to asset the management exclusionsharian. One, or call 973 17 5150000.