

# Note From Our CEO



**Najla M. Al Shirawi**  
Chief Executive Officer

Every business large or small goes through inflection points. These are periodic windows of opportunity in a company's evolution where one can pause, reflect, and examine the journey. Inflection points are a time to remember where the business started, to look at what the business has achieved, and to strategize on where the business hopes to go next.

I believe that 2023 was an inflection point for SICO. It was a pivotal year for us because we have reached a size and stature that will allow us to take our next big step forward. It was a year that made us realize, more than ever, that in order to expand and deepen our regional footprint, we must leverage all of the knowledge and expertise that we have carefully cultivated for over 25 years.

**6.0** USD  
BN

A new record high for  
gross AUM

Throughout 2023, we managed to achieve a number of operational milestones that validated our strategic vision and moved the needle on our goal to expand our regional footprint across our core lines of business.

We continued to execute on our Vision 2025 strategy by focusing on organic growth as the primary growth driver for the business to be achieved by prioritizing our key strengths and existing capabilities in asset management, brokerage, real estate, securities services, and investment banking. I'm proud to report that we have ended 2023 on a very positive note and we are starting 2024 on a very solid ground.

SICO achieved an impressive USD 11.6 million in consolidated net profit for the year, a 23% increase year-on-year. The increase was mainly attributable to an expansion in net investment income on the back of strong results in the second half of the year. Our total assets grew by 39% to USD 1 billion from USD 742.7 million in 2022. And our assets

under management (AUMs) continued on the same growth trajectory that we have maintained year-on-year for the past decade as we introduced new offerings in new markets that have appeal to a broader segment of investors. SICO's gross AUMs increased by 25% to USD 6 billion compared to 4.8 billion in 2022. Net AUMs rose 23%, reaching USD 5.1 billion compared to USD 4.2 billion at year-end 2022.

The strength of our balance sheet, enhanced risk management framework, focus on organic growth, and cross-selling opportunities across business lines were catalysts that led to this positive financial performance.

SICO stands today as a strong and profitable financial services group with direct presence in three markets: Bahrain,

KSA, and UAE. We are a top 10 asset manager in the GCC and MENA with a stellar track record of outperforming the market, and we have achieved 10 consecutive years of AUM growth despite ongoing market volatility. Our investment banking team continues to advise on major M&A transactions in Bahrain including complex cross border deals. All of these things combined mean that we are positioned well for the future in key markets, particularly Saudi Arabia, where we see ample opportunities to deepen the presence that we began cultivating two years ago with our Saudi subsidiary SICO Capital.

### Market Background

The regional geopolitical tensions that we have been living with since the latter part of 2023 show no signs of abating, in fact, fears of the war on Gaza escalating into proxy conflicts in the region are real as new players enter into the fray.

Regional equity markets remained broadly resilient in 2023 despite headwinds from Fed rate hikes and regional geopolitical tensions. Investors focused on domestic narratives such as structural reforms, government-led spending, and broader oil price stability to invest into Equities. Saudi and Dubai's stock markets were the key outperformers in FY23. Alongside, the primary market also remained active with multiple successful listings in Saudi, UAE, as well as Oman.

Looking ahead, oil price stability (OPEC+ cooperation), focus on capital spending, continuance of reforms (economic and market), and scaling down of geopolitical tensions will be broader theme drivers for equity markets. On a global level, timing and number of Fed rate cuts will have a direct impact on the interest rates within the region. Overall, 2024 is likely to be more challenging for equities while we expect the primary market to be active with more listings across GCC markets.

In early 2023, investors initially anticipated global central banks to lower interest rates following an initial rise, leading to increased investment in fixed income, but the US Federal Reserve defied expectations by raising rates by 0.75% due to robust economic growth and a strong labor market, resulting in 10-year yields soaring to over 5%, marking their highest level since 2007.

Towards the end of the year, there was however a notable shift in the Fed's narrative. This change came about due

to a combination of favorable inflation prints and a shift in the Fed's communication strategy as the central bank began opening the door to rate cuts for the first time since its "higher-for-longer" narrative following strong improvements on the inflation front. This shift in stance pushed markets to aggressively price in early policy rate cuts across regions. As a result, there was a significant rally in fixed income markets during the final two months of the year helping them to close in positive territory. The annual return for the regional fixed income index reached an impressive 6.2%, making it the third-best year since data collection began in 2010.

Overall, 2023 was a year marked by unexpected shifts in central bank policies and market pricing. The strength of the US economy and the changing narrative from the Fed played a crucial role in shaping market dynamics and driving the performance of fixed income markets, particularly in the GCC region.

### Operational Review

We will be keeping a close eye on all of these developments, but we remain optimistic because our business has proven resilient in the face of external market challenges. The major external factor that has had a significant impact on us operationally in 2023 is the persistent high interest rate environment which led investors to prefer money market over other asset classes. Nonetheless, we were still able to raise our AUMs and gain momentum on new mandates. Throughout 2023 we managed to achieve a number of operational milestones that validated our strategic vision and moved the needle on our goal to expand our regional footprint across our core lines of business.

SICO Asset Management successfully launched the SICO Kingdom Equity Fund in Saudi Arabia, which underscores our commitment to leveraging our existing capabilities to capitalize on the attractive investment opportunity offered by the rapidly growing Saudi Arabian market. The fund gives investors the opportunity to invest in the promising pipeline of IPOs in KSA. Our asset management team will deploy the same winning strategy that has allowed the Kingdom Equity Fund in Bahrain to outperform the market since 2011 generating impressive returns of approximately 175% in the last 10 years.

The asset management team as a whole has continued to prove their ability to adjust the composition of investments to capitalize on potential gains and deliver value to our clients across all our equity and fixed income funds. The fixed income team's performance and ability to consistently achieve their targets despite the challenging global macro picture, also helped them stay on top in 2023 with their flagship conventional fixed income fund outperforming the Bloomberg GCC Bond index by 0.3%. Total fixed income AUM reached USD 2.8 billion, a 40% increase year-on-year, which brings the breakdown of equities and fixed income AUM close to 50-50 due to current market conditions.

We are also very proud of a number of new strategic partnerships that we entered into this year. One such partnership was with Beyon Money, one of Bahrain's largest Telecom companies, to launch Flexi Savings, a first of its kind investment product in the MENA region. The innovative savings plan allows customers to invest their cash in a high yield product with the ability to withdraw funds at any point in time. The partnership leverages our asset management expertise and allows us to expand our product offering and to broaden our spectrum of individual and corporate clients through the Beyon Money app.

SICO launched the Elzaad Sukuk Fund in partnership with Wafra International Investment Company, an investment firm backed by Kuwait's Public Institution for Social Security. Our asset management team is acting as the fund manager while Wafra will participate as a seed investor and Fund Advisor. The Fund will invest in a diverse portfolio of Sukuk and other Sharia compliant fixed income instruments.

We are currently in the final stages of closing a partnership with Tanimia in Oman to assist them in launching a new product. This development is significant because it will not only increase AUMs but also reinforce SICO's position as one of the region's specialized capital market players offering unique, customized solutions for a diverse array of clients.

Our investment banking division continued to be active in Bahrain's M&A market. The team successfully completed advisory services on the sale and transfer agreement of Novotel Al Dana Resort to Gulf Hotels Group in Bahrain. We were also appointed as advisors for regional heavyweights

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such as Dallah AlBaraka, and we acted as the receiving agent for the Osool and Bakheet Investment IPO on the NOMU, Saudi Arabia's parallel market mid-cap companies, a space that hope to be competitive in going forward.

On the Brokerage front we maintained our leadership position as Bahrain's number one broker, and we achieved solid brokerage and net fee income for the year. Backed by our renowned fundamental Research division and the launch of a new comprehensive Research app that facilitates access to our extensive GCC research portfolio of stocks, we are offering unique value for our institutional and retail brokerage clients. SICO's Top-20 portfolio continued to outperform its benchmark, the S&P GCC Index by 15.3% despite market volatility.

Throughout the year, we continued to tactically position ourselves for increased cross-selling opportunities across business lines and locations, a strategic move which we expect to bear significant results in the coming years. One of our key organic growth drivers is, of course, Saudi Arabia, which is why we have invested a significant amount of time, energy, and resources to bring in a new team to push growth further. The cost of doing business in Saudi has been considerable because we have been building infrastructure for the past two years which meant not

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only hiring new people, but also deploying technology, changing policies and procedures, and investing across the board to shore up the entire operation.

Crucial to this process of shoring up our capabilities was restructuring and restaffing to support our strategy. We are very proud to have onboarded Bassam Abdulaziz Noor as the new CEO of our Saudi subsidiary SICO Capital as of January 2024. He brings more than 20 years of experience in regional and global investment and management, and I believe he is an excellent fit to lead us through our next phase of growth in the Kingdom.

We have also developed a new organizational structure for the Group that is better suited to our current needs. The new structure will ensure that subsidiaries are aligned with the holding company so that all stakeholders, clients, shareholders, board members and employees, are all dealt

with using the same principles. This is part and parcel of an overall Group transformation strategy that we have started to implement. It will encompass everything we do internally including our touchpoints with clients. The objective is to ensure a uniform and seamless client experience across the Group, while also catering to their ever changing needs.

SICO will make more use of technology to launch new products that are accessible to a larger pool of clients in an effort to transform SICO from an institutional and high net worth service provider into a service provider that can also offer products to retail investors. I am confident that there is a lot that we can do in this area and we are definitely on the right track to achieve our strategic objectives, which include generating more revenue, enhancing customer experience, improving asset utilization, cost efficiencies and operational efficiencies, and further developing our risk controls.

### ESG

A major milestone for SICO in 2023 was the implementation of our Responsible Investment Policy. The policy has been developed to provide guidance to the organization on how environmental, social, and governance (ESG) factors should be integrated into our investment decision making process and as an additional lens to support the identification of potential risks likely to affect our investment portfolio. We expect this policy to evolve over time to reflect changes in business practices and the regulatory landscape. Accordingly, we will be monitoring this closely on an annual basis and will review our approach as needed.

Much of our effort during the year was focused on making sure that our people are truly embracing the policy. This is a journey that the entire world is taking, and it is our responsibility to make sure that the companies that we invest in as well as our clients have the same awareness.

Becoming a sustainable business is not just about ticking boxes and meeting regulatory requirements. It's a matter that we take seriously, and we are genuinely committed to making progress on this front. We will not consider ourselves successful until we see concrete results on a Group level.

### The Year Ahead

Now that we have the right people in the right seats, and the right structure in place to grow our business, we are well positioned for expansion and ready to reap the benefits in the coming years. Looking ahead, our emphasis remains on capitalizing on synergies, fostering innovation, and driving sustainable growth in key markets, especially in Saudi Arabia, where we see ample opportunities to deepen our presence. We believe that 2024 will be a much better year in terms of both the macro picture and SICO's growth in Saudi Arabia.

In 2023, we made significant strides on achieving organic growth. In the year ahead, we will start to expand our focus a bit to also pursue some selective inorganic growth opportunities that complement our existing business. We will be looking at launching our Securities Services business as a regional offering specifically in the Saudi market, followed by other countries like the UAE with Bahrain acting as the center of excellence and back office for those services.

Promising business initiatives such as Wealth Management and Real Estate will also be on our radar in the coming year. The Wealth Management market in the GCC will be a priority because investors are looking to have relationships with local, regional, or international players who have presence on-the-ground which presents an opportunity for us to offer Wealth Management as an add-on service for everything that we offer. The business will be launched from Bahrain and expanded to other markets like Saudi Arabia and UAE.

Real Estate, on the other hand, is an asset class that no one can ignore. It's a favorite for GCC investors, institutional, and individuals alike. SICO will focus on KSA, one of the deepest real estate markets in the GCC but we are also going to look at opportunities in the rest of the region to complement and diversify our offering to investors. We have a flexible mandate when it comes to real estate whereby, we are not only looking at income generating real estate, but we are also looking at development and completed properties.

We will continue to monitor global issues closely, particularly the conflicts that are unfolding in our region. We support the call for peace and hope to see an immediate ceasefire and an end to the humanitarian crisis in Gaza for

the sake of the well-being, security, and future prosperity of everyone involved. It is my sincere hope that the voice of reason will prevail and that all innocent civilians across the world who have been living in a state of conflict for far too long will have a chance to live in peace and with dignity.

I would like to take this opportunity to offer my sincerest thanks and appreciation to all of our stakeholders including our regulators, the Central Bank of Bahrain and the Bahrain Bourse. We wouldn't be where we are today without the commitment and dedication of our shareholders, partners, clients, and of course our very special team of talented professionals at SICO who worked tirelessly to achieve the commendable financial and operational results of which we are all very proud.

Special thanks go out to our esteemed Board of Directors and our Chairman. It was our honor this year to welcome Abdulla Kamal as SICO's new Chairman of the Board. He is no stranger to SICO as he has been a Director on our Board since 2020, representing Bahrain's Social Insurance Organization. We look forward to working closely with him and benefiting from his expertise as we embark on our next phase of growth. Abdulla Kamal took over from Shaikh Abdullah bin Khalifa Al Khalifa, who resigned his post as SICO's Chairman in 2023 after being appointed to a new role as the CEO of Bahrain Mumtalakat Holding Company. We owe Shaikh Abdullah a great deal of gratitude for the 12 years of leadership and guidance that he gave to SICO, and we wish him the best of luck in his new role.

If there is one key takeaway that we can hold onto from the past year, it's that successful companies are ones that transform and adapt with changing circumstances. I think SICO has proven that we are capable of transforming and achieving to meet new challenges.



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