

Managers Commentary

The SICO Fixed Income Fund rose by 2.3% in November, supported by a roaring treasury market as US 10- and 30-year yields fell by 45 bps as markets are looking ahead to slowing inflation and an end to interest rate hikes.

GCC bonds thrived in the current market environment as investors are finally looking forward to an easing in interest rate policy which particularly helped long duration to outperform. The Fed reiterated that there is a "very plausible" and "achievable" path to a "soft or a soft-ish landing," where labor market conditions soften, housing services and goods inflation get better, without a recession. As a result, we saw all six GCC credit markets perform positively with Saudi Arabia leading the way, up 5.6% in November, followed by Qatar (4.5%) and Bahrain (4.4%). A combination of high EM yields and resilient US data has improved sentiment on the EM bonds, particularly after the October rout which lead to large credit inflows and fueled a rally in GCC fixed income, particularly as liquidity has thinned out. A wave of positive rating actions across GCC countries has also boosted investor sentiment from both local and foreign accounts. Saudi Arabia and Bahrain saw outlook upgrades in November as Moody's has revised Saudi Arabia's outlook from negative to stable on expectation that country would reverse most of its 2020 debt increase while maintaining fiscal buffers. Similarly, S&P has revised Bahrain's outlook to stable from negative, citing the fiscal reforms undertaken to strengthen its economy while giving Oman its 2nd rating upgrade of the year from BB- to BB, citing that Oman's fiscal and external positions are benefiting from government reforms and higher oil prices. In addition to rebuilding fiscal buffers on the back of windfall oil revenue, the Omani government has continued to reduce the budget's reliance on oil receipts, in line with its medium-term fiscal plan till 2025.

The fixed income fund therefore performed positively in light of the current market environment which saw an easing in interest rate outlook and improved credit fundamentals. Saudi, Oman and Egypt contributed most to the fund's performance, lead by a combination of improved rating actions with most investors turning overweight in all those countries. The fund's Bahrain securities also performed positively, albeit at a lower pace as oil prices fell by 10% in November, although remain historically high at \$86. Overall, risk assets have been engulfed in a relief rally, which produced the second-largest year-to-date easing in financial conditions, also helped by optimism as China looks to soften its zero-covid policy. The fund however has not able to match the pace of the benchmark in November given its short-term positioning as long-term bonds largely outperformed given lower treasury yields although its underweight duration strategy has helped it shield itself from most of the plunge in bond prices this year. The fund's corporate positioning has also helped stabilize volatility while earning a decent carry which has generated around 0.8% on average in November alone.

Going forward however, we will look to increasing the fund's duration as we expect global central banks to shift to a lower gear, including the Fed pausing in early 1Q 2023 as inflation moderates. Markets are currently optimistic and focused that inflation will fall fast given rebase effects and lower energy prices, which will continue the rally in EM credits, especially as volatility for now seems to have fallen. Nevertheless, we warrant caution as the risks of a recession is not priced into EM spreads. As we near the end of the largest Fed hiking cycle for 40 years, we are in a period of waiting to see what might still break either in financial markets or economies. GCC spreads are still tight and will not likely reflect such a scenario for the next few months at least. As a result, we look to seek out cyclical entry points as we balance lower rates with potentially wider credit spreads by skewing the fund towards more investment grade names while moving from underweight duration to neutral vis a vie the benchmark.

Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	5.4	5.6	2/12/24	13.0
BOSUH 2024	6.7	4.0	9/18/24	6.8
OMGRID 2031	6.5	5.8	2/3/31	5.5

Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	6.4	5.3
Duration (years)	3.4	6.9
Coupon (%)	5.4	4.0
Spread (bps)	257	146

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

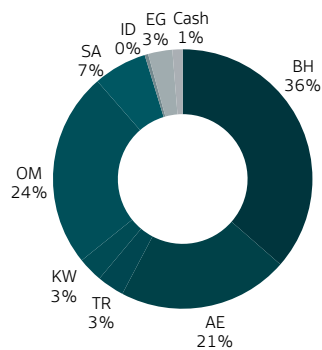
Returns (%)	Fund	Index*
November 2022	2.3	4.5
YTD November 2022	-4.7	-11.4
2021	1.2	1.2
2020	3.8	8.6
2019	10.3	15.0
2018	1.6	0.3
2017	3.4	4.7
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	-0.4	-2.5
Last 6 months	-1.1	-3.3
Last 1 year	-3.7	-10.6
Last 3 years	1.1	-1.8
Last 5 years	12.5	12.6
Since Inception (April 13 - November 22)	33.4	33.3

*Bloomberg GCC Bond Index

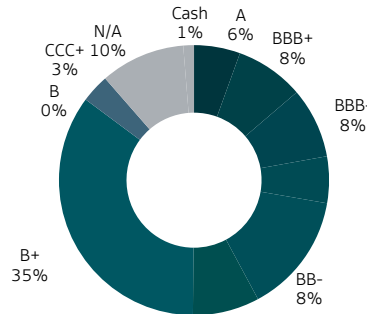
Fund Information

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

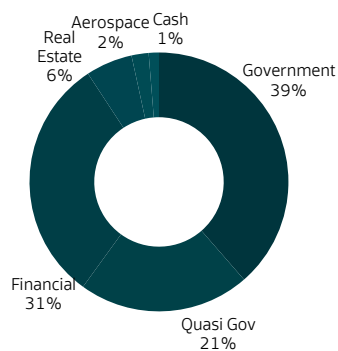
Country Allocation



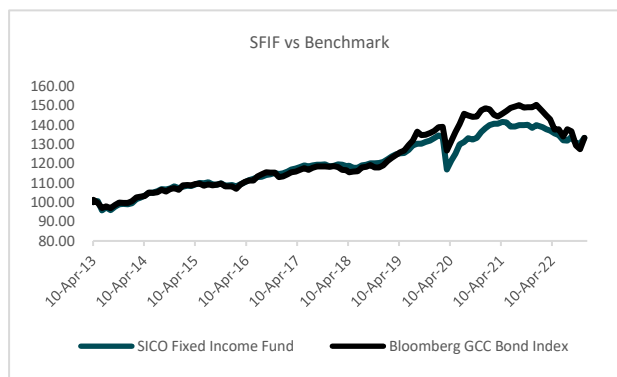
Rating Allocation



Sector Allocation



Cumulative Performance



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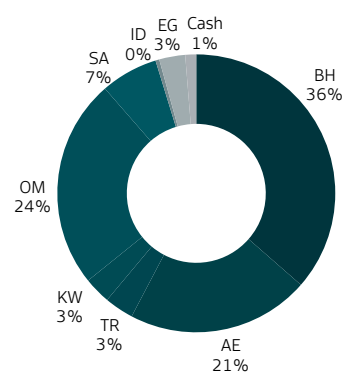
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Last 5 years	14.3	12.6
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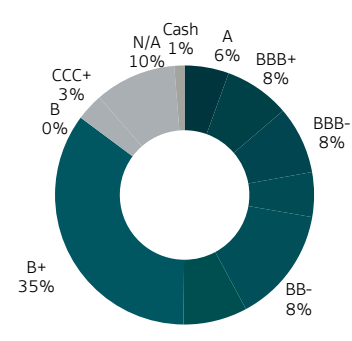
Fund Information

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

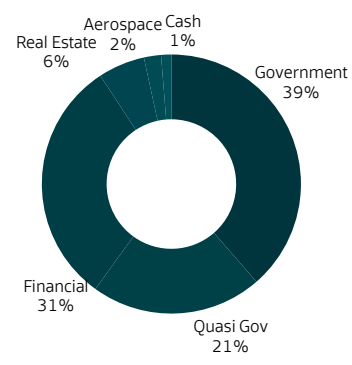
Country Allocation



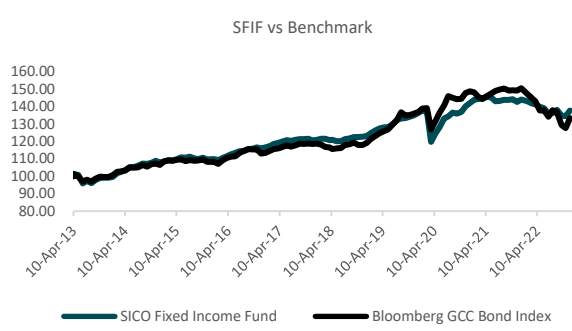
Rating Allocation



Sector Allocation



Cumulative Performance



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