

The SICO Fixed Income Fund Ends 2018 as Best-Performing GCC Bond Fund

The SICO Fixed Income Fund manages to outperform peers delivering positive returns of 1.9% in most challenging year for emerging markets fixed income in over a decade.

SICO BSC (c), a leading regional asset manager, broker and investment bank (licensed as a conventional wholesale bank by the Central Bank of Bahrain “CBB”), announced today that the SICO Fixed Income Fund closed 2018 as the best-performing GCC Bond Fund. In what was a negative year for the majority of global and regional fixed income managers, the Fund still delivered a net positive return of 1.9%, outperforming its benchmark. The Barclays GCC Bond Index made a late recovery in 2018, buoyed by a 50 basis point drop in US treasuries in December to close the year with a return of 0.3%.

Since its inception in April 2013, The SICO Fixed Income Fund is up 23.2% compared to 19.1% by the index. Overall, the average yield of GCC paper rose to 4.65% at the end of 2018 compared to 3.74% at the beginning of year. The spread, which measures an issuer’s credit risk, rose to 216 basis points from an average of 157 over the same time period.

The Fund’s positive performance amid emerging market headwinds — including four interest rate hikes, inverted yield curves, and increased political pressure throughout the GCC — underscores the strength of SICO’s forward-looking strategy and ability to preempt market volatility.

“This performance is indicative of our ability to achieve positive returns within challenging market conditions,” said SICO CEO Najla Al Shirawi. “We are delighted with the exceptional performance of the SICO Fixed Income Fund, not only this year but in the five years since inception. Our experienced team of asset managers and our comprehensive in-house research capabilities have allowed us to seamlessly deliver market-leading results.”

Ali Marshad, Head of Asset Management Fixed Income at SICO attributes the positive performance of the Fund in 2018 to its short duration and high-yield strategy. “We knew early on that 2018 would pose challenges due to anticipated rate hikes, so we formulated a strategy to capitalize on higher LIBOR rates. We did so by focusing on short durations, particularly on issuers with good balance sheets that fell within that special high-yield category, but we also had a decent amount of floaters in the fund.”

“Our largest exposure was to Bahrain and we maintained an active overweight on the Kingdom despite negative headlines over the summer by strategically focusing on the undersupplied sukuk space and were rewarded as Bahrain ended up as the best performing bond market in the GCC following the announcement of the GCC economic support package later in the year. We also tried

to avoid other GCC government curves because their correlations with treasuries were too high. We obviously needed to get some of the new issues right to reach those positive returns and stayed true to our strategy of picking out the gems,” added Marshad.

SICO, which is compliant with the Global Investment Performance Standards (GIPS), has achieved similar success with its Sharia-compliant strategies relative to peers in 2018. In addition to Sharia-compliant and conventional portfolios, SICO also manages money market, country-specific, leveraged, MENA and hybrid composites.

Commenting on SICO’s fixed income strategy for 2019 Marshad said, “We plan to maintain our existing strategies with minor deviations to take advantage of this year’s inclusion in the JP Morgan EMBI Index. Overall, we are a bit more dovish going into the new year but increasingly tight spreads and inverted yield curves are forcing us to maintain our low duration and high yield strategy. There will however be pockets of opportunities and whoever gets these calls right will win this year.”

Marshad also noted that the team will continue to monitor yields on Oman after their recent downgrade along with the real estate sector in the GCC.

“Oman is attracting interest after having overtaken Bahrain as the highest-yielding GCC sovereign, but the situation is likely to get worse before it gets better. Short-term bonds however seem safe and the announcement of a new issue might be a good entry point for anything longer. Similarly, the GCC real estate sector is now yielding nearly 10% on short-term paper, which seems unfounded given cash balances and access to funding are still healthy,” he said.

SICO continues to maintain its position as a leading regional asset manager, broker, and investment bank, with USD 1.9 billion in assets under management. In 2018, SICO was named ‘Best Investment Bank in Bahrain’ at the World Finance Awards and ‘Most Innovative Investment Bank’ at the International Finance Awards. SICO was also recognized as ‘Best Investment Management Firm - Bahrain’ at the World Finance Investment Management Awards 2018. It was also ranked the number one broker on the Bahrain Bourse for the 19th consecutive year, underscoring its superior execution capabilities trading Bahrain securities.

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About SICO

SICO is a leading regional asset manager, broker, and investment bank, with USD 1.9 bn in assets under management (AUM). Today SICO operates under a wholesale banking licence from the Central Bank of Bahrain and also oversees two wholly owned subsidiaries: an Abu Dhabi-based brokerage firm, SICO Financial Brokerage and a specialised regional custody house, SICO Fund Services Company (SFS). Headquartered in the Kingdom of Bahrain with a growing regional and international presence, SICO has a well-established track record as a trusted regional bank offering a comprehensive suite of financial solutions, including asset management, brokerage, investment banking, and market making, backed by a robust and experienced research team that provides regional insight and analysis of more than 90 percent of the region's major equities. Since inception in 1995, SICO has consistently outperformed the market and developed a solid base of institutional clients. Going forward, the bank's continued growth will be guided by its commitments to strong corporate governance and developing trusting relationships with its clients. The bank will also continue to invest in its information technology capabilities and the human capital of its 100 exceptional employees.

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