

Makaseb Income Fund (MIF)

Fund Description

Makaseb Income Fund (MIF) primarily seeks to provide current income along with the stability of capital. Fund's secondary objective is to seek income growth over the long term. The Fund aims to achieve its investment objective by investing in a diversified portfolio of fixed and floating rate investments originating from countries in the GCC, MENA, South Asia and other emerging economies.

Fund Manager's Commentary

Continuity of performance

The Makaseb Income fund is the best performing MENA fixed income fund of 2017. Despite a relatively quiet market, the fund remained solid in December and ended the year up 9.27% year to date. The fund outperformed the index by 4.4%.

We have seen the UST curve flattening month on month which is a continuation of the year on year trend. The amendment to the debt ceiling is being delayed and a decision is only expected on January 19th 2018 in order to avoid a government shutdown as the US Government hits its borrowing limit again. Another rate hike has come and gone without much of a blip in the market.

The highlights of December were the downgrades of Bahrain and Oman sovereigns which brought a wave of downgrades to the quasi sovereign complex (Bahrain: Mumtalakat, Oman: Mazoon, Oman Grid and Bank Muscat). We have also started positioning for the beginning of 2018 by moderately extending duration as we see the belly of the curve as the most stable in the coming months.

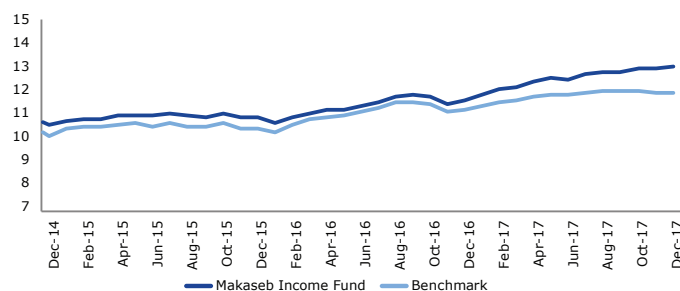
We think that the US tax bill may increase inflation marginally; however, we also expect this to be short lived if it happens. Majority of the tax benefits are expected to be realized in 2018 for corporates and we do not see this trickling down to the middle class via an increase in wage growth. Also a higher budget deficit on the back of lower tax collection and an increase in spending (via the infrastructure bill) could amount to an increase across the UST yield curve.

The greatest known unknown for bond spreads is the ETF flows which could potentially swing the market either way and we will be keeping a very close eye on it.

We tactically favor medium to long duration high yields which is a change from our previous short duration strategy towards the end of 2017.

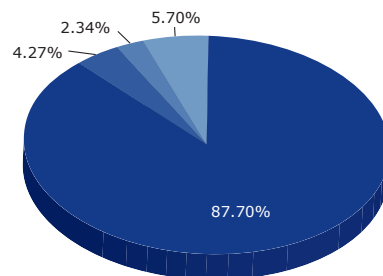
The fund's average rating was BB, yield to maturity was 4.44% and modified duration is 3.38 years with the average effective maturity being 3.88 years.

Performance (Chart)



Regional Allocation

- MENA (87.70%)
- South Asia (4.27%)
- Europe* (2.34%)
- Cash (5.70%)



*UAE Emirates Airline financing with UK export agency guarantee

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	0.51%	9.27%	9.27%	16.49%	27.63%	55.57%	
Benchmark	0.41%	4.86%	4.86%	12.40%	20.80%	96.35%	
	2011	2012	2013	2014	2015	2016	2017
MIF	0.92%	19.93%	5.50%	3.86%	1.88%	4.65%	9.27%
Benchmark	7.08%	12.15%	0.39%	7.05%	2.00%	5.09%	4.86%

Top Holdings

Arab Republic Of Egypt	8.85%
Dp World Ltd	8.72%
Maf Global Securities	7.53%
Kt Kira Sert Varlik	6.47%
Bnq Cen Tunisia Int Bond	5.33%

Fund Statistics

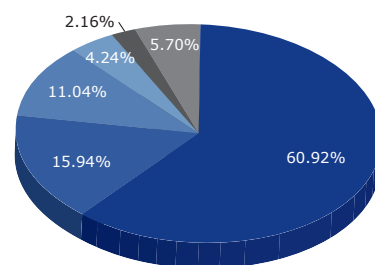
Average Coupon	4.53
Fund Rating	BB
Average Maturity	3.88
Average Yield	3.91
Modified Duration	3.08
CAGR Since Incep	3.77%
1 year Volatility	1.76%
3 year Volatility	3.92%
Sharpe Ratio - 1 year	4.15
Sharpe Ratio - 3 year	3.70

Monthly Performance (%)

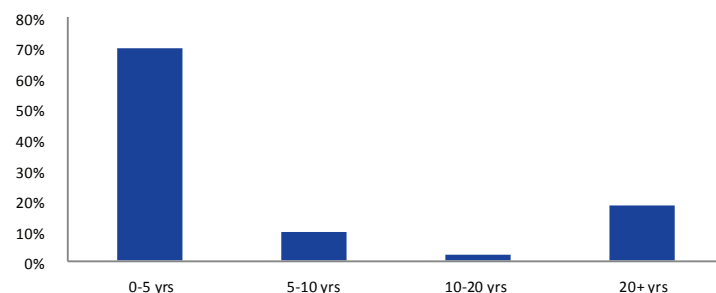
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2017	1.69	1.50	0.51	1.32	1.10	-0.55	1.18	0.51	0.34	0.81	-0.01	0.51	9.27
2016	-1.16	1.19	1.39	0.75	0.14	1.01	1.17	1.43	0.17	-0.31	-2.07	0.90	4.65
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-0.81	-0.18	0.81	-1.07	-0.17	1.88
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-0.18	0.80	5.50
2012	1.79	2.09	1.99	0.24	-0.99	1.84	2.95	1.15	1.43	3.11	0.56	1.74	19.93
2011	0.87	-1.38	1.49	2.78	1.06	-0.82	1.91	-0.37	-4.60	2.54	-2.91	1.04	0.92
2010	1.21	-1.04	6.12	-0.45	-3.34	2.82	2.12	3.28	1.03	1.25	-1.96	1.14	12.08
2009	-7.06	-4.28	2.64	3.45	4.54	0.77	2.96	2.13	6.24	1.95	0.01	-2.94	10.38
2008	-1.04	-0.76	-0.32	0.15	0.22	0.12	0.27	-0.52	-3.68	-6.68	-9.80	-1.45	-21.59
2007	0.86	0.05	0.03	0.21	0.28	0.38	-0.64	0.69	0.61	0.60	-0.42	0.57	2.11
2006	-	-	-	-0.44	-0.10	-0.60	-0.04	-0.08	0.19	0.75	0.75	0.11	0.53

Industry Allocation

- Financial (60.92%)
- Sovereign (15.94%)
- Consumer, Non-cyclical (11.04%)
- Consumer, Cyclical (4.24%)
- Utilities (2.16%)
- Cash (5.70%)



Maturity Profile



Note: 0.00% of the portfolio is hedge with US Treasury Interest Rate Futures

Fund's benchmark until Dec 31, 2013 was HSBC Nasdaq Dubai ME index. However w.e.f 1st January 2014, the fund has changed its benchmark to JP Morgan MECI Index - BB Ticker (JCADMETR). All historical benchmark performances have been replaced to that effect.

SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 23.69 million	Bloomberg Ticker	MAKAINC BI
Fund Type	Open Ended	Zawya Code	MAKINCM.MF
Inception Date	March 29, 2006	Lipper ID	65038282
Domicile	Bahrain	Minimum Subscription	USD 10,000 and in multiples of USD 1,000 thereafter
Currency	USD	Subscription Fee	Up to 2%
Benchmark	JP Morgan MECI Index	Performance Fee	Nil
Fund Manager	Mashreq Capital (DIFC) Limited	Management Fee	75 bps
Valuation Day	Each Business Day	Redemption Fee	3% within first 3 months; 2% within 3-6 months; 1% within 6-12 months
Dealing Day (Subscription/Redemption)	Each Business Day	Settlement for Subscriptions	2 Business Days prior to Dealing Day
ISIN	BH000A0J3RR6	Settlement for Redemption	5 Business Days after the Dealing Day
		Notice Periods	2 Business Days each for Subscriptions and Redemptions

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