

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

Starting the Year on a Positive Note

While many market participants were still debating the broader implications of the US elections and the potential harm to our fixed income market, the market has decided to rally. We were always of the conviction that the November weakness was overdone and kept the fund positioned for a recovery and therefore managed to fully benefit from the strong markets.

The fund was up by 1.69% and significantly outperformed the index which was up only 1.04%. Looking back the month has been dominated by news surrounding Trump and his appointment of staff. Only towards the end and beginning of February we had some interesting data points for US 4Q GDP, FOMC and employment data, which all pointed towards a continuation of a gradual improvement which was appreciated by risk markets.

The positive market momentum allowed for an increase in primary issuance. Particularly EM issuers found eager buyers. Regionally we have seen Gulf International Bank, ICD and of course the long anticipated Egypt issuance, with Bank of Sharjah, Dubai Islamic Bank, Equate and Tunisia ready to be next.

Within the next 30 days we have Janet Yellen speaking to Congress, FED minutes and PCE numbers for inflation. While this could taper the bond rally, one also has to keep in mind that there are plenty of events lined up which could cause some risk off, like the debt ceiling, elections in Europe or US politics.

While the portfolio was positioned relatively aggressive in January we will start locking in some profits going forward if the trend continues. Generally the strategy had been to reduce duration and move into higher yielding names.

The fund's average rating was therefore BB, average yield was 4.92% and duration was lower at 4.2 years with the average maturity at 6.5 years.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	1.69%	1.69%	7.66%	12.62%	39.28%	44.77%	
Benchmark	1.04%	1.04%	7.26%	14.90%	29.72%	89.19%	
	2010	2011	2012	2013	2014	2015	2016
MIF	12.08%	0.92%	19.93%	5.50%	3.86%	1.88%	4.65%
Benchmark	12.30%	7.08%	12.15%	0.39%	7.05%	2.00%	5.09%

Top Holdings

Arab Republic Of Egypt	11.51%
1Mdb Energy Ltd	8.17%
Dip Sukuk Ltd	7.78%
Third Pkstan Intl Sukuk	7.73%
Equate Petrochemical Bv	7.36%

Fund Statistics

Average Coupon	4.99
Fund Rating	BB
Average Maturity	6.50
Average Yield	4.92
Modified Duration	4.22
CAGR Since Incep	3.42%
1 year Volatility	2.42%
3 year Volatility	4.30%
Sharpe Ratio - 1 year	2.38
Sharpe Ratio - 3 year	2.49

Monthly Performance (%)

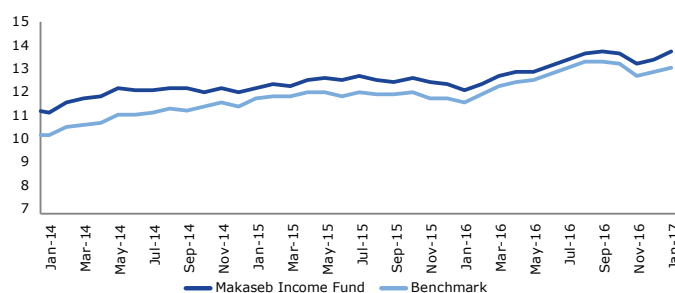
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2017	1.69	-	-	-	-	-	-	-	-	-	-	-	1.69
2016	-1.16	1.19	1.39	0.75	0.14	1.01	1.17	1.43	0.17	-0.31	-2.07	0.90	4.65
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-0.81	-0.18	0.81	-1.07	-0.17	1.88
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-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

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.

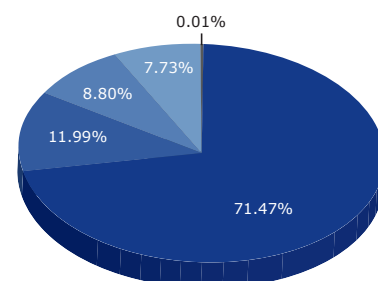
SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Performance (Chart)



Regional Allocation

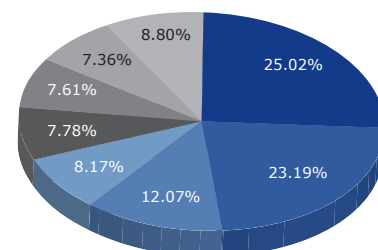
- MENA (71.47%)
- Asia (11.99%)
- Cash (8.80%)
- South Asia (7.73%)
- Europe* (0.01%)



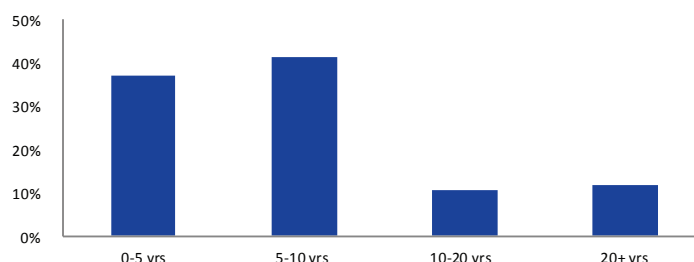
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (25.02%)
- Sovereign (23.19%)
- Consumer, Cyclical (12.07%)
- Utilities (8.17%)
- Industrial (7.78%)
- Consumer, Non-Cyclical (7.61%)
- Basic Materials (7.36%)
- Cash (8.80%)



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 26.33 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

Contact Us: Tel: +9714 207 8811, **Email:** assetmanagement@mashreqbank.com, **Web:** www.mashreqassetmanagement.com

Disclaimer: This note has been prepared solely for information purposes. It does not constitute an investment advice, solicitation, offer or personal recommendation by Mashreq Asset Management or Mashreq Capital (DIFC) Limited ("MC"), or any of their related parties to buy or sell any securities, product, service or investment or to engage in or refrain from engaging in any transaction, particularly, in any jurisdiction where such an offer or solicitation would be illegal. Certain assumptions may have been made in the analysis that resulted in any information and results/returns detailed therein. No representation is made that any returns/results indicated would be achieved or that all assumptions in achieving these returns/results have been considered. Past performance is not necessarily indicative of future results. Neither Mashreq Asset Management nor MC warrant the accuracy of the information provided herein and views expressed in this document reflect the personal views of the analyst(s) which does not take account of individual clients' objectives, financial situations or needs. Investors are required to undertake their own assessment and seek appropriate financial, legal, tax and regulatory advice to determine whether this investment is appropriate for them in light of their experience, objectives, financial resources and other relevant circumstances. Mashreq Asset Management, MC nor any of their related parties accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this document and/or further communication in relation thereto. Mashreq Asset Management and MC do not accept any obligation to correct or update the information or opinions in this document; opinions expressed are subject to change without notice. This note is disseminated primarily electronically, and, in some cases, in printed form.

FOR THE DIFC-BASED FUND COVERED IN THIS NOTE, THE MATERIAL IS INTENDED ONLY FOR PROFESSIONAL CLIENTS, AND NOT FOR RETAIL CLIENTS, AS DEFINED BY THE DFSA RULES AND SHOULD NOT BE PROVIDED TO OR RELIED UPON BY ANY SUCH PERSON.

The above terms are indicative and do not constitute solicitation or an offer to sell to the public. This document is not intended to identify, represent or notify the conclusive terms and conditions of any transaction, other material considerations and any possible risks, direct or indirect, that would be involved in undertaking such a transaction. Mashreq Capital (DIFC) Ltd. is regulated by the DFSA