

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

Great first quarter

The Makaseb Income Fund is the best performing fund year-to-date within its category. Adding another 0.51% in March it has a year-to-date performance of 3.74%, beating the index by over 100 basis points.

March was a very busy month for new issuance due to favorable market conditions. Month on month the US Treasury yield curve remained stable and regional spreads unchanged. However there was weakness leading up to the FOMC meeting in the middle of the month on overly hawkish expectations. These expectations eased further after the vote on Obamacare was pulled and questions about the ability of the Trump administration to push through their fiscal agenda started surfacing.

Both the Mashreq Al-Islami Income Fund and Makaseb Income fund are the second best and best performing funds year-to-date within their categories, returning 2.10% and 3.77% respectively.

The US economy appears to have good momentum and a realistic scenario of 2-3 rate hikes in 2017 is discounted by the market. It will be crucial though to watch out for policy details and changes - both on the monetary and fiscal side. On the fiscal side we don't expect any market moving events in the short term. After the rushed vote on Obamacare which had to be cancelled it is likely that further initiatives will be better prepared which means that any of the proposed changes might not happen as soon as initially expected or the changes make take effect in a toned down version.

Our strategy for 2017 remains to manage portfolios tactically in order to avoid headwinds that might come from rising yields as well as taking advantage of likely overreactions that the market will experience throughout the year because of the political calendar and other sources of uncertainty.

After a very strong start into the year, we are now more selective with credit spreads and more cautious about interest rate risk. Broadly speaking, we still favor high yield over investment grade.

The fund's average rating was BB+, average yield was 5.1% and duration at 4.3 years with the average maturity at 8.7 years.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	0.51%	3.74%	7.05%	11.78%	36.48%	47.70%	
Benchmark	0.44%	2.71%	5.49%	14.26%	29.43%	92.31%	
	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

Ezdan Sukuk Co Ltd	12.96%
Arab Republic Of Egypt	9.15%
Third Pkstan Intl Sukuk	8.87%
Turkish Airln 15-1 A Ptt	7.08%
Aabar Investments PJSC	5.73%

Fund Statistics

Average Coupon	5.03
Fund Rating	BB+
Average Maturity	8.72
Average Yield	5.09
Modified Duration	4.32
CAGR Since Incep	3.55%
1 year Volatility	2.43%
3 year Volatility	4.22%
Sharpe Ratio - 1 year	2.11
Sharpe Ratio - 3 year	2.34

Monthly Performance (%)

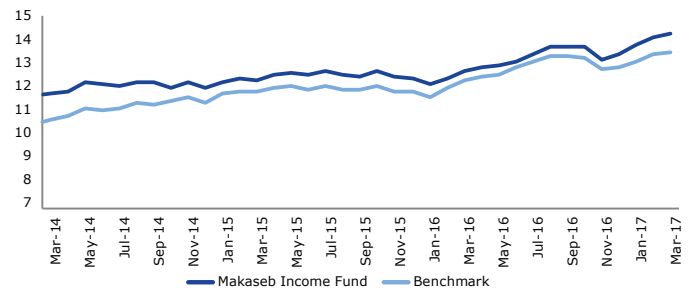
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2017	1.69	1.50	0.51	-	-	-	-	-	-	-	-	-	3.74
2016	-1.16	1.19	1.39	0.75	0.14	1.01	1.17	1.43	0.17	-0.31	-2.07	0.90	4.65
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-0.81	-0.18	0.81	-1.07	-0.17	1.88
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	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

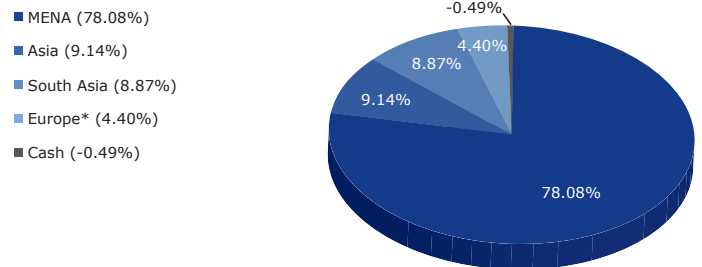
Fund's benchmark until Dec 31, 2013 was HSBC Nasdaq Dubai ME index. However w.e.f 1st January 2014, the fund has changed its benchmark to JP Morgan MECI Index - BB Ticker (JCADMETR). All historical benchmark performances have been replaced to that effect.

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

Performance (Chart)

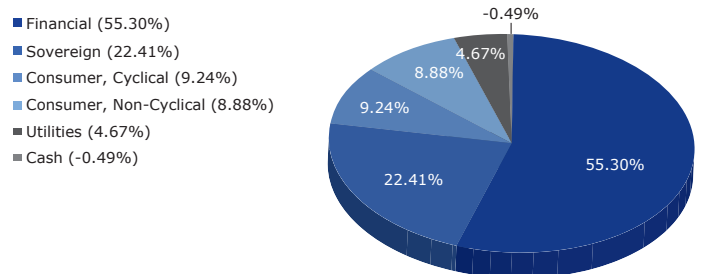


Regional Allocation

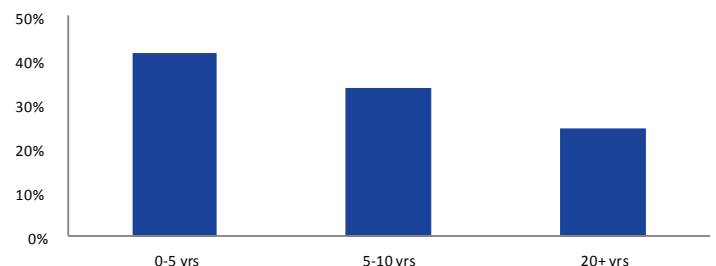


*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 23.12 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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