

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

Finish line in sight

The Makaseb Income fund continues to be the best performing MENA fixed income fund year-to-date. Despite a weak market, the fund remained solid in November and is up 8.75% year to date. The fund now outperforms the index by almost 4.3%.

In our opinion, with the December rate hike discounted (98.3% probability of a rate hike on Dec 13th), we consider it more important to watch what is happening with the US tax bill and possible implications on rates: the bill has passed through both houses of congress and is expected to be reconciled soon.

Demand for new issues is lackluster with year-end approaching. Investors are more critical of their involvements in order to protect P&L and there is a perceived increase in risk premium across the MENA region due to well published and discussed issues around the GCC. This has dented international sentiment towards the region.

We have seen the US treasury curve flattening month on month. We attribute the yield increase particularly in the short end of the curve to: a) increased rate hike expectation for next year (consensus ranges from 2-4 rate hikes in 2018) and b) discounting the tapering effect. We expect the long end of the US treasury curve to remain relatively more stable due to still low inflation. However, there is downside risk to the long end of the curve if inflation moves up quicker than generally anticipated.

The successful passage of the US tax bill, can be an argument for more rate hikes. If the economy is sufficiently stimulated by this bill, the Fed may increase interest rates at a higher than expected rate to placate an overheating economy. Additional borrowing requirement as a result of a higher budget deficit will lead the US to borrow more which would put upward pressure on the US treasury yields.

We continue to favor High Yield until we get more clarity as to the path of the US treasury curve. We expect December to be fairly quiet, as liquidity will be thin and the holiday season in sight.

The fund's average rating was BB, yield to maturity was 4.43% and modified duration is 3.21 years with the average effective maturity being 3.62 years.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI		
MIF	-0.01%	8.72%	9.69%	14.78%	29.21%	54.79%		
Benchmark	-0.49%	4.43%	4.98%	10.97%	21.10%	95.54%		
	2010	2011	2012	2013	2014	2015	2016	2017
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	8.84%
Dp World Ltd	8.76%
Maf Global Securities	7.60%
Kt Kira Sert Varlik	6.51%
Bnq Cen Tunisia Int Bond	5.28%

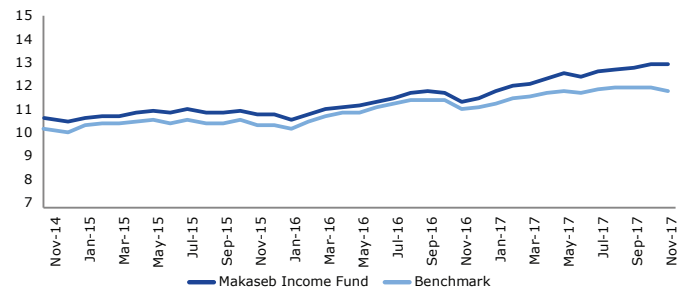
Fund Statistics

Average Coupon	4.19
Fund Rating	BB
Average Maturity	3.62
Average Yield	3.74
Modified Duration	2.71
CAGR Since Incep	3.76%
1 year Volatility	1.86%
3 year Volatility	4.04%
Sharpe Ratio - 1 year	4.20
Sharpe Ratio - 3 year	3.19

Monthly Performance (%)

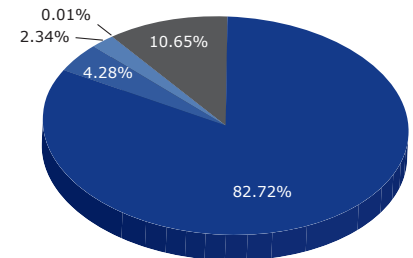
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2017	1.69	1.50	0.51	1.32	1.10	-0.55	1.18	0.51	0.34	0.81	-0.01	-	8.72
2016	-1.16	1.19	1.39	0.75	0.14	1.01	1.17	1.43	0.17	-0.31	-2.07	0.90	4.65
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-0.81	-0.18	0.81	-1.07	-0.17	1.88
2014	-0.03	2.05	0.73	0.32	1.73	-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

Performance (Chart)



Regional Allocation

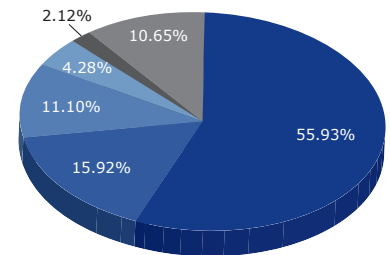
- MENA (82.72%)
- South Asia (4.28%)
- Asia (2.34%)
- Europe* (0.01%)
- Cash (10.65%)



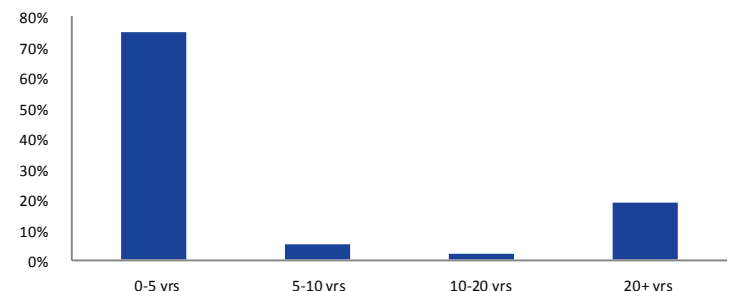
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (55.93%)
- Sovereign (15.92%)
- Consumer, Non-cyclical (11.10%)
- Consumer, Cyclical (4.28%)
- Utilities (2.12%)
- Cash (10.65%)



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 23.54 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

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