

## 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 Managers Commentary

#### Mastering a difficult January with profit

MIF returned 1.82% and is already beating the benchmark by 2% which is a great start into 2013 especially since the rest of the market - as measured by the index - had negative returns. Headwinds came mainly from weakness in the long-end of the credit market due to rising rates in treasuries and a more cautious approach to risk which resulted in spread widening. As we had anticipated this development the fund was well positioned for such a situation.

Looking forward the market is likely to continue being mainly driven by treasury developments especially the lower yielding long duration assets.

General themes as the US debt ceiling, the fiscal cliff, EM growth and elections in Italy have to be tracked closely. Their relative importance to asset price movements fluctuates which will continue to create investment and divestment opportunities.

The fund maintains its strategy and the focus is on investments regionally but also on seizing opportunities outside the region in Emerging Markets. The high cash balance as of the end of 2012 was slightly reduced to take advantage of lower asset prices. Interest rate risk will be very closely monitored and managed.

The fund ended January with a cash balance of 8%, average rating of current holdings at BB+ and an average yield of 4.7%. Duration is low at 3.8.

### Fund Returns

	MTD	YTD	1 Year	3 Years	SI	
MIF	1.8%	1.8%	19.4%	10.9%	3.1%	
Benchmark	-0.2%	-0.2%	11.3%	9.3%	5.2%	
	2007	2008	2009	2010	2011	2012
MIF	2.1%	-21.6%	10.4%	12.1%	0.9%	19.9%
Benchmark	3.2%	-14.6%	18.0%	10.3%	6.4%	12.0%

### Top Holdings

Dubai Holding Comm Op	11.1%
Qtel International Fin	9.6%
Pyrus Ltd.	6.8%
Investcorp SA	5.6%
Yapi Ve Kredi Bankasi	4.7%

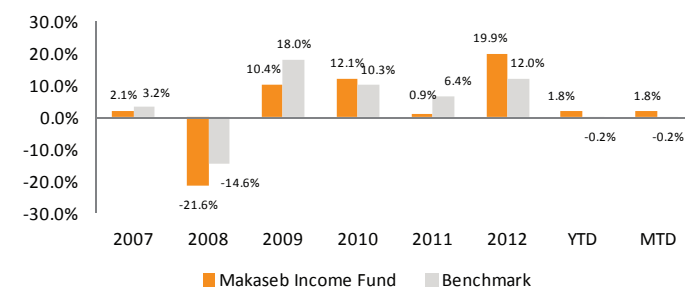
### Fund Statistics

Average Coupon	5.7
Fund Rating	BB+
Average Maturity	9.2
Average Yield	4.7
Modified Duration	3.8

### Fund Details

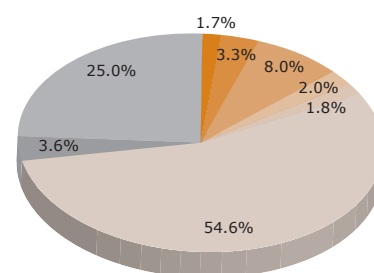
Fund Type	Open Ended
Domicile	Bahrain
Inception Date	Mar 29, 2006
Currency	USD
Regulator	Central Bank of Bahrain
Investment Manager	Mashreq Capital
Net Asset Value	Each business day

### Performance (Chart)



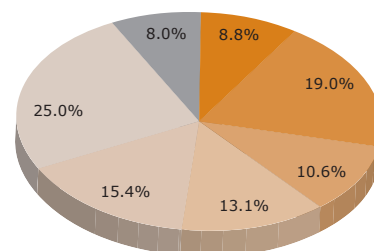
### Regional Allocation

- Africa (1.7%)
- Asia (3.3%)
- Cash (8.0%)
- CIS (2.0%)
- Europe (1.8%)
- MENA (54.6%)
- South Asia (3.6%)
- US Treasury Futures (25.0%)



### Ratings Breakdown

- A+ to A- (8.8%)
- BBB+ to BBB- (19.0%)
- BB+ to BB- (10.6%)
- B+ to B- (13.1%)
- Not Rated (15.4%)
- US Treasury Futures (25.0%)
- Cash (8.0%)



Benchmark: HSBC/ NASDAQ Dubai Middle East Investment Grade Total Return Index, SI: Since Inception, MTD: Month to Date, YTD: Year to Date

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