

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

Makaseb Income Fund is +2.52% for the month of September and up 2.67% YTD 2013

The Fund continues to outperforming its benchmark HSBC/NASDAQ Dubai Middle East index which is -1.28% YTD.

The dominant theme for September was the FOMC meeting on the 18th, where the consensus was that the FED would start to reduce their asset purchase program by \$10bn to \$15bn. In anticipation of this move the 10yr treasury rose to as high as 3% yield, but as economic data came in weaker the yields on the 10yr backed off to 2.85% area.

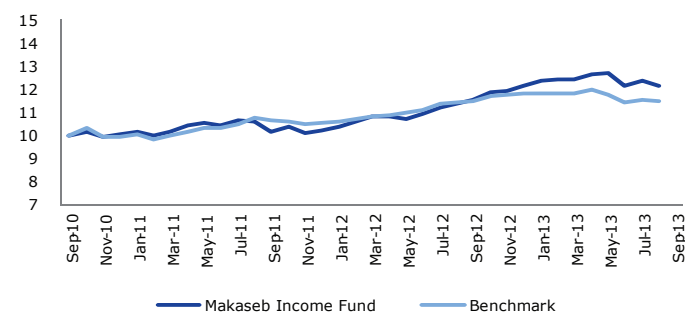
The fund during the week of the FOMC was hedged 25% by selling treasury futures, but we believed that once the uncertainty of the FED's tapering was over, sell the rumor buy the fact, the treasury would rally. In Line with our view we completely unwound all the treasury hedges which proved to be fortunate as the FED surprised the market by not tapering and the 10yr rate rallied to a yield of 2.6% in the days following the decision.

We took advantage of the rally in credit and sold positions that on a relative value basis looked expensive and raised cash in the fund, in anticipation of the US Government Budget and Debt Ceiling debate that we are in the midst of currently.

We also reset the US treasury futures hedges when the 10yr was around 2.6% yield and the portfolio is about 30% hedged.

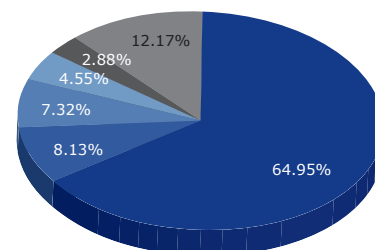
The fund ended the month with a cash balance of 12%, average rating of BBB- and an average yield of 5.6%.

Performance (Chart)



Regional Allocation

- MENA (64.95%)
- South Asia (8.13%)
- CIS (7.32%)
- Asia (4.55%)
- Europe (2.88%)
- Cash (12.17%)



Fund Returns

	MTD	YTD	1 Year	3 Years	SI	
MIF	2.52%	2.67%	8.32%	24.69%	25.14%	
Benchmark	1.68%	-1.28%	1.40%	16.57%	40.59%	
	2007	2008	2009	2010	2011	2012
MIF	2.11%	-21.59%	10.38%	12.08%	0.92%	19.93%
Benchmark	3.17%	-14.60%	17.96%	10.33%	6.43%	12.05%

Top Holdings

Emaar Sukuk Ltd	8.19%
Kingdom of Bahrain	5.79%
Investcorp SA	5.06%
Dubai Holding Comm Op.	4.70%
Indosat Palapa Co Bv.	4.55%

Fund Statistics

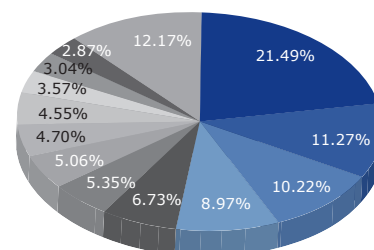
Average Coupon	6.32
Fund Rating	BBB-
Average Maturity	8.31
Average Yield	5.59
Modified Duration	3.75
CAGR Since Incep	2.99
1 year volatility	4.12
3 year volatility	8.91
Sharpe Ratio - 1 year	1.87
Sharpe Ratio - 3 year	2.70

Monthly Performance (%)

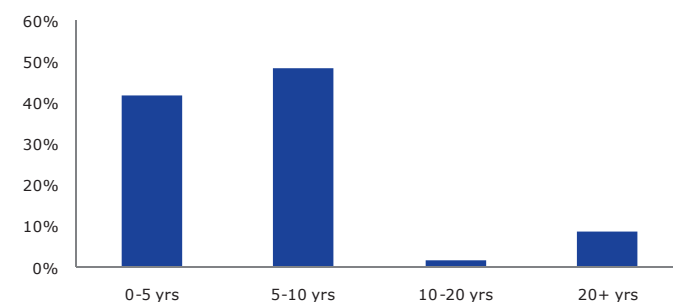
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	-	-	-	2.67
2012	1.79	2.09	1.99	0.24	-0.99	1.84	2.95	1.15	1.43	3.11	0.56	1.74	19.93
2011	0.87	-1.38	1.49	2.78	1.06	-0.82	1.91	-0.37	-4.60	2.54	-2.91	1.04	0.92
2010	1.21	-1.04	6.12	-0.45	-3.34	2.82	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 (21.49%)
- Real Estate (11.27%)
- Industrial (10.22%)
- Sovereign (8.97%)
- Utilities (6.73%)
- Energy (5.35%)
- Diversified Finan Serv (5.06%)
- Conglomerate (4.70%)
- Telecom Services (4.55%)
- Airlines (3.57%)
- Logistics (3.04%)
- Chemicals (2.87%)
- Cash (12.17%)



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 34.96 million
Fund Type	Open Ended
Inception Date	March 29, 2006
Domicile	Bahrain
Currency	USD
Benchmark	HSBC Nasdaq Dubai ME Investment Grade Index
Investment Manager	Mashreq Bank
Fund Manager	Abdul Kadir Hussain, CFA
Valuation Day	Each Business Day
Dealing Day (Subscription/Redemption)	Each Business Day
ISIN	BH000A0J3RR6

Bloomberg Ticker	MAKAINC BI
Zawya Code	MAKINCM.MF
Lipper ID	65038282
Minimum Subscription	USD 10,000 and in multiples of USD 1,000 thereafter
Subscription Fee	2%
Performance Fee	Nil
Management Fee	75 bps
Settlement for Subscriptions	2 Business Days prior to Dealing Day
Settlement for Redemption	5 Business Days after the Dealing Day
Notice Periods	2 Business Days each for Subscriptions and Redemptions

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