

## 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 closed 2013 with a return of 5.5%

The Fund outperformed its benchmark HSBC/NASDAQ Dubai Middle East index which is flat for the year. In addition, the fund was the best performance MENA fund among all its peers.

Looking forward to 2014 we believe that 3 key variable will drive returns in Technical's, Timing and Credit selection.

Technical's to focus on will be the FED tapering, EM Fund flows and new issuance New issuance from Dubai and Qatar credits is expected as infrastructure spending in these 2 countries will drive bond issuances.

Timing, the opportunistic positioning of the portfolios around FED expectations and to take advantage of market volatility, which in 2014 is expected to be lower as compared to 2013.

Credit selection, picking the right credits that still offer value at the current tight levels, and that will benefit from growth, credit spreads are expected to tighten, in an environment of widening treasury spreads.

Overall 2014 will be a year of low volatility, MTM gains from spread tightening will be offset by widening US treasury yields and therefore carry will play a bigger part in return, i.e. coupon clipping.

In addition keeping in mind the current shape of the treasury curve and FED Tapering expectation in 2014 we would strategically position as follows:

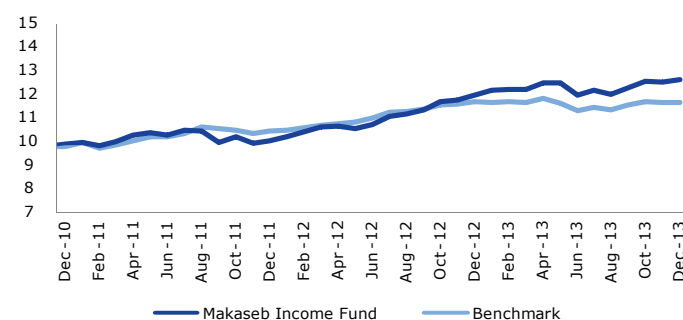
Underweight Duration: stay in the 5yr to 10yr space, we see opportunity in some parts of the MENA 10yr credit space. Therefore we will continue to actively manage rate risk by hedging the portfolio by shorting Treasury futures in-line with rate expectations and are currently hedged about 45% in the portfolio.

Underweight cash: stay invested and clip coupon as we expect MTM gains will be minimal and majority of gains will come from accrued

Focus on the Higher Yielding bonds in the region: Fundamentally improving credits within the HY space that are expected to benefit from regional growth and exhibit lower sensitivity to rates and less volatile in general.

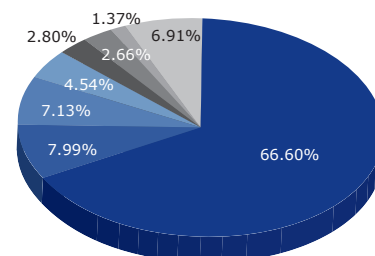
The fund ended the month with a cash balance of 6.9%, average rating of BB+ and an average yield of 6.05%.

### Performance (Chart)



### Regional Allocation

- MENA (66.60%)
- South Asia (7.99%)
- CIS (7.13%)
- Asia (4.54%)
- Europe (2.80%)
- Africa (2.66%)
- South America (1.37%)
- Cash (6.91%)



### Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	0.80%	5.50%	5.50%	27.62%	57.99%	28.59%	
Benchmark	-0.01%	-0.22%	-0.22%	19.05%	54.78%	42.10%	
	2007	2008	2009	2010	2011	2012	2013
MIF	2.1%	-21.6%	10.4%	12.1%	0.9%	19.9%	5.50%
Benchmark	3.2%	-14.6%	18.0%	10.3%	6.4%	12.0%	-0.22%

### Top Holdings

Dubai Electricity & Wate	6.52%
Investcorp SA	5.98%
Maf Global Securities	5.89%
Dar Al-Arkan Internation	5.84%
Emirates Nbd Tier 1	5.08%

### Fund Statistics

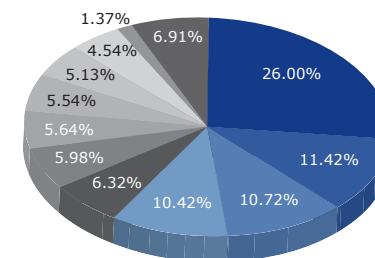
Average Coupon	6.79
Fund Rating	BB+
Average Maturity	8.31
Average Yield	6.06
Modified Duration	2.20
CAGR Since Incep	3.25
1 year volatility	3.87
3 year volatility	8.64
Sharpe Ratio - 1 year	1.23
Sharpe Ratio - 3 year	3.11

### Monthly Performance (%)

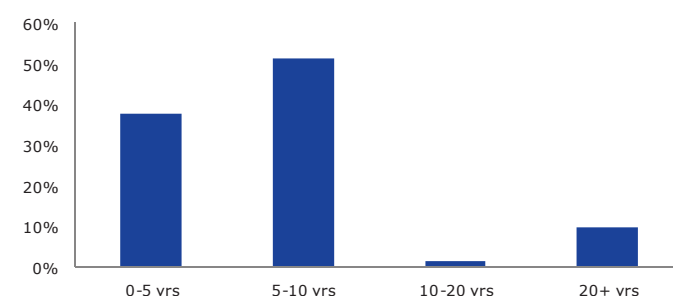
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-0.18	0.80	5.50
2012	1.79	2.09	1.99	0.24	-0.99	1.84	2.95	1.15	1.43	3.11	0.56	1.74	19.93
2011	0.87	-1.38	1.49	2.78	1.06	-0.82	1.91	-0.37	-4.60	2.54	-2.91	1.04	0.92
2010	1.21	-1.04	6.12	-0.45	-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

### Industry Allocation

- Financial (26.00%)
- Utilities (11.42%)
- Conglomerate (10.72%)
- Real Estate (10.42%)
- Industrial (6.32%)
- Diversified Finan Serv (5.98%)
- Logistics (5.64%)
- Sovereign (5.54%)
- Energy (5.13%)
- Telecom Services (4.54%)
- Mining (1.37%)
- Cash (6.91%)



### Maturity Profile



## Makaseb Income Fund (MIF)

### Fund Details

Fund size	USD 35.75 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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