

## 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

#### 2012 a year of solid outperformance

MIF returned 19.93% in 2012 beating the benchmark by 7.9%. This stellar performance puts the fund on top of its peers and was the result of diligent investment analysis as well as supportive market conditions.

Looking forward towards 2013 US Treasuries are largely expected to trade wider at the end of the year which would create a slight headwind. This will largely depend on further recovery of the US economy, inflation and employment numbers.

As an investment manager this means to put appropriate hedges into place to neutralize such adverse movements.

Due to still high liquidity in the market, improving fundamentals for global growth and removal of tail risks especially in Europe, spreads are likely to tighten further on the back of risk-on attitude of markets throughout 2013. This will be the main driver for returns.

This strong liquidity will also be the primary driver of returns in the MENA fixed income market. While we expect robust supply in 2013, (up from a very strong new issue year in 2012) we believe that the region has enough liquidity to absorb this new supply. The region still trades a little cheaper than global EM bonds but this spread differential has narrowed a lot in 2012. We expect returns of about 5-7% with the region and about 4-6% globally for the fixed income market.

The fund will maintain its strategy and the focus on investments regionally but also on seizing opportunities outside the region in Emerging Markets. The cash balance was relatively high at the end of the year in order to be able to take advantage of upcoming opportunities.

The fund ended the year with a cash balance of 12%, average rating of current holdings at BB+ and an average yield of 5.1%.

### Fund Returns

	MTD	YTD	1 Year	3 Years	SI
MIF	1.7%	19.9%	19.9%	10.6%	2.9%
Benchmark	0.8%	12.0%	12.0%	9.6%	5.3%
	2007	2008	2009	2010	2011
MIF	2.1%	-21.6%	10.4%	12.1%	0.9%
Benchmark	3.2%	-14.6%	18.0%	10.3%	6.4%

### Top Holdings

Dubai Holding Comm. Op	7.2%
Pyrus Ltd.	5.5%
Qtel International Fin	5.2%
Abu Dhabi National Energy	5.1%
BBK	5.0%

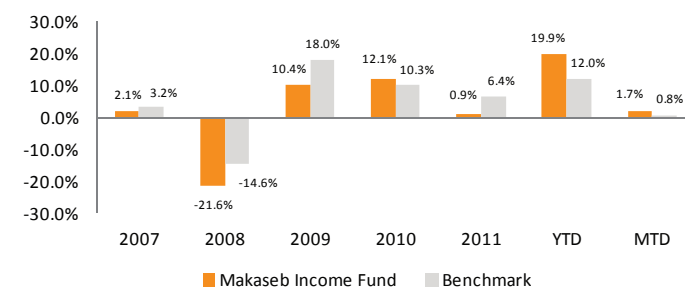
### Fund Statistics

Average Coupon	5.7
Fund Rating	BB+
Average Maturity	8.5
Average Yield	5.1
Modified Duration	3.4

### Fund Details

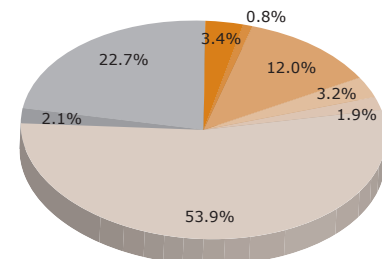
Fund Type	Open Ended
Domicile	Bahrain
Inception Date	Mar 29, 2006
Currency	USD
Regulator	Central Bank of Bahrain
Investment Manager	Mashreq Capital
Net Asset Value	Each business day

### Performance (Chart)



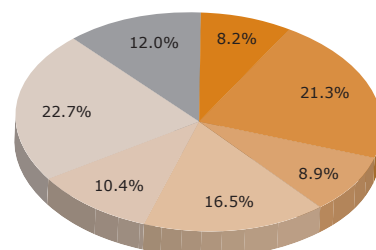
### Regional Allocation

- Africa (3.4%)
- Asia (0.8%)
- Cash (12.0%)
- CIS (3.2%)
- Europe (1.9%)
- MENA (53.9%)
- South Asia (2.1%)
- US Treasury Futures (22.7%)



### Ratings Breakdown

- A+ to A- (8.2%)
- BBB+ to BBB- (21.3%)
- BB+ to BB- (8.9%)
- B+ to B- (16.5%)
- Not Rated (10.4%)
- US Treasury Futures (22.7%)
- Cash (12.0%)



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

**Contact Us: Tel: +9714 207 8811, Email: assetmanagement@mashreqbank.com, Web: www.mashreqassetmanagement.com**

**Disclaimer:** This note has been prepared solely for information purposes. It does not constitute an investment advice, solicitation, offer or personal recommendation by Mashreq Asset Management or any of its related parties to buy or sell any securities, product, service or investment or to engage in or refrain from engaging in any transaction, particularly, in any jurisdiction where such an offer or solicitation would be illegal. Certain assumptions may have been made in the analysis that resulted in any information and results/returns detailed therein. No representation is made that any returns/results indicated would be achieved or that all assumptions in achieving these returns/results have been considered. Past performance is not necessarily indicative of future results. Mashreq Asset Management does not warrant the accuracy of the information provided herein and views expressed in this note reflect personal views of the analyst(s) which does not take account of individual clients' objectives, financial situations or needs. Investors are required to undertake their own assessment and seek appropriate financial, legal, tax and regulatory advice to determine whether this investment is appropriate for them in light of their experience, objectives, financial resources and other relevant circumstances. Mashreq Asset Management, nor any of its related parties accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this memorandum and/or further communication in relation thereto. Mashreq Asset Management does not accept any obligation to correct or update the information or opinions in it; however, opinions expressed are subject to change without notice. This note is disseminated primarily electronically, and, in some cases, in printed form. The above terms are indicative and do not constitute solicitation or an offer to sell to the public. This document is not intended to identify, represent or notify the conclusive terms and conditions of any transaction, other material considerations and any possible risks, direct or indirect, that would be involved in undertaking such a transaction.