

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

Consolidation on heavy issuance

The month of May was very busy with new issues and the new supply kept market from rallying further.

The fund returned 0.14% in May and has now a year-to-date performance of 2.32%. The index has a year-to-date return of 3.48% and is now moving in tandem with the fund after it outperformed during the early months of the year.

During May none of the news items made it to the title page for a long time except for the discussions around Brexit. But those have been neglected somewhat by the market so far. One would have expected that the severity of a potential exit would result at the very least in some more defensive behavior. With three weeks until the vote, this might still create some volatility as we approach the voting date and polls will receive more attention.

In June we will have another FOMC meeting which will be one of the more important ones to watch: with US economic activity doing alright but a weaker employment report last week and at the same time inflation slowly creeping up. Also the USD has not strengthened further this year which might have been a concern for the FED, so overall an interesting mix of economic conditions.

The best performing assets in the portfolio have been two new issues, which were Qatar 46s and Bubyan Perps. Also IPIC backed 1MDB bonds performed well. After being the best performing sector last month Turkey has seen some profit taking especially in the long end. Among the five lowest performing bonds there were three Turkey related names.

As we approach the end of the first half of the year and FOMC and Brexit vote coming up it is likely that investors will be a bit more on the defensive side and protect their year-to-date gains. On the other hand we are still living in a low rate environment with lots of investors hunting for yield. So even though we might experience some softer prices it will be a good opportunity to employ cash at lower, more attractive levels. Also, as long as the rates remain low, we will start hedging some of the rate risk.

The fund's average rating was BBB+, average yield was at 4.45% and duration was a bit higher at 4.5 years. The average maturity is 7.75 years now

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	0.14%	2.32%	1.40%	9.44%	31.74%	39.21%	
Benchmark	0.22%	3.48%	2.15%	13.56%	30.76%	84.36%	
	2009	2010	2011	2012	2013	2014	2015
MIF	10.40%	12.08%	0.92%	19.93%	5.50%	3.86%	1.88%
Benchmark	23.5%	12.3%	7.1%	12.1%	0.4%	7.05%	2.00%

Top Holdings

Kuwait Projects Co	9.40%
Emirates Airlines	7.61%
1Mdb Energy Ltd	6.30%
Dip Sukuk Ltd	6.22%
Abu Dhabi Govt Int'L	6.10%

Fund Statistics

Average Coupon	4.82
Fund Rating	BBB+
Average Maturity	7.75
Average Yield	4.45
Modified Duration	4.50
CAGR Since Incep	3.26%
1 year Volatility	2.26%
3 year Volatility	5.76%
Sharpe Ratio - 1 year	0.03
Sharpe Ratio - 3 year	1.41

Monthly Performance (%)

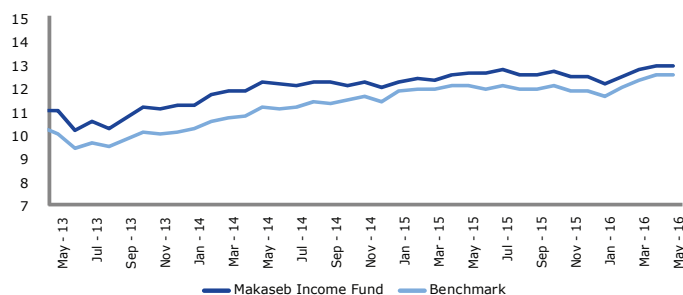
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2016	-1.16	1.19	1.39	0.75	0.14	-	-	-	-	-	-	-	2.32
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-0.81	-0.18	0.81	-1.07	-0.17	1.88
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	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

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.

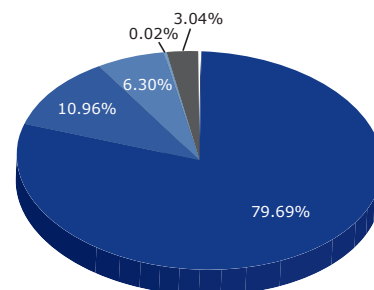
SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Performance (Chart)



Regional Allocation

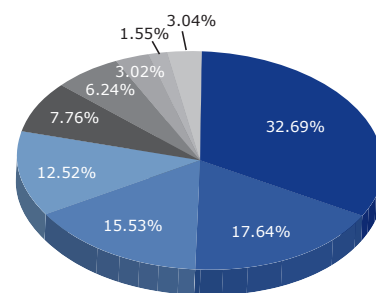
- MENA (79.69%)
- South Asia (10.96%)
- Asia (6.30%)
- Europe* (0.02%)
- Cash (3.04%)



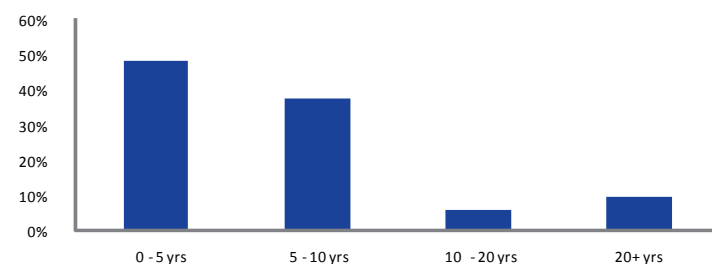
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (32.69%)
- Consumer, Cyclical (17.64%)
- Sovereign (15.53%)
- Utilities (12.52%)
- Industrial (7.76%)
- Diversified (6.24%)
- Consumer, Non-Cyclical (3.02%)
- Communication (1.55%)
- Cash (3.04%)



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 32.87 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
Investment Manager	Mashreq Capital DIFC Ltd.	Management Fee	75 bps
Fund Manager	Abdul Kadir Hussain, CFA Robert Hahm, CFA	Redemption Fee	3% within first 3 months; 2% within 3-6 months; 1% within 6-12 months
Valuation Day	Each Business Day	Settlement for Subscriptions	2 Business Days prior to Dealing Day
Dealing Day (Subscription/Redemption)	Each Business Day	Settlement for Redemption	5 Business Days after the Dealing Day
ISIN	BH000A0J3RR6	Notice Periods	2 Business Days each for Subscriptions and Redemptions

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 Mashreq Capital (DIFC) Limited ("MC"), or any of their 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. Neither Mashreq Asset Management nor MC warrant the accuracy of the information provided herein and views expressed in this document reflect the 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, MC nor any of their related parties accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this document and/or further communication in relation thereto. Mashreq Asset Management and MC do not accept any obligation to correct or update the information or opinions in this document; opinions expressed are subject to change without notice. This note is disseminated primarily electronically, and, in some cases, in printed form.

FOR THE DIFC-BASED FUND COVERED IN THIS NOTE, THE MATERIAL IS INTENDED ONLY FOR PROFESSIONAL CLIENTS, AND NOT FOR RETAIL CLIENTS, AS DEFINED BY THE DFSA RULES AND SHOULD NOT BE PROVIDED TO OR RELIED UPON BY ANY SUCH PERSON.

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. Mashreq Capital (DIFC) Ltd. is regulated by the DFSA