

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

Volatile start for 2016

While oil prices trended lower and reached new multi-year lows, other markets went into defensive mode: US stocks were down more than 11% towards the middle of January, risk spreads increased and market liquidity was poor.

The fund declined by 1.16% which was just slightly below the index's 1% decline. As and when market conditions permitted, we rebalanced the portfolio towards more defensive assets, increased short-term investments and raised cash levels to 8%. Our strategy is to reduce the overall volatility of the portfolio for now as well as invest into bonds with low correlation to the overall market.

Our call to not hedge interest rates proved to be correct as US treasuries rallied sharply on the back of risk aversion and we did not see the rest of our bond markets move in tandem but instead underperforming and hence widening in spreads.

The best performing assets in the portfolio have been within the non-MENA part, namely Indian and Malaysian investment grade bonds like Power Grid, IDBI and Axiata. Also there had been a short term trade in front end Vedanta bonds which worked out very well.

The worst performing bonds were geographically from North Africa and Oman or from bank's lower capital structure. Names that we have or had there are OCP, Tunisia, Egypt, Oman Grid and NBK perps.

We expect volatility to persist and therefore pursue a defensive strategy. We will continue to increase cash during periods of market recovery and reinvest during market dips. Apart from the focus on oil we cautiously watch for signs of a potential slowdown in the US economy and its implications on risky assets and interest rates.

The fund's average rating was BBB-, average yield was at 4.71% and duration was reduced by one year to 4 years. The average maturity is also much shorter at 6.2 years now.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	-1.16%	-1.16%	-0.26%	8.35%	32.30%	34.47%	
Benchmark	-1.00%	-1.00%	-0.95%	8.56%	28.68%	76.38%	
	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	8.89%
Al Shindagha Sukuk Ltd	8.56%
Emirates Airlines	7.22%
Ibq Finance Ltd	5.68%
Dip Sukuk Ltd	5.67%

Fund Statistics

Average Coupon	4.88
Fund Rating	BBB-
Average Maturity	6.18
Average Yield	4.71
Modified Duration	4.00
CAGR Since Incep	3.01%
1 year Volatility	2.48%
3 year Volatility	5.68%
Sharpe Ratio - 1 year	-0.58
Sharpe Ratio - 3 year	1.26

Monthly Performance (%)

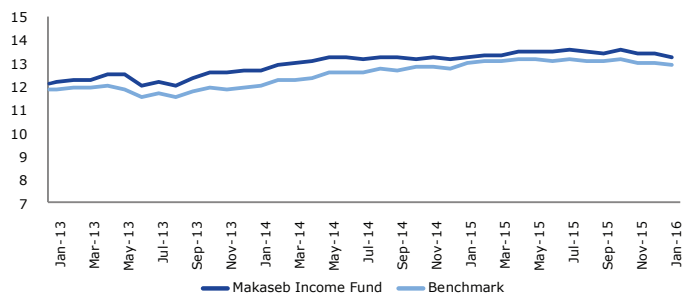
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2016	-1.16	-	-	-	-	-	-	-	-	-	-	-	-1.16
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-0.81	-0.18	0.81	-1.07	-0.17	1.88
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-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.

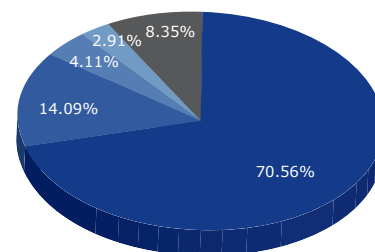
SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Performance (Chart)



Regional Allocation

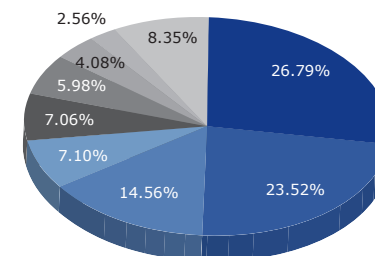
- MENA (70.56%)
- South Asia (14.09%)
- Europe* (4.11%)
- Asia (2.91%)
- Cash (8.35%)



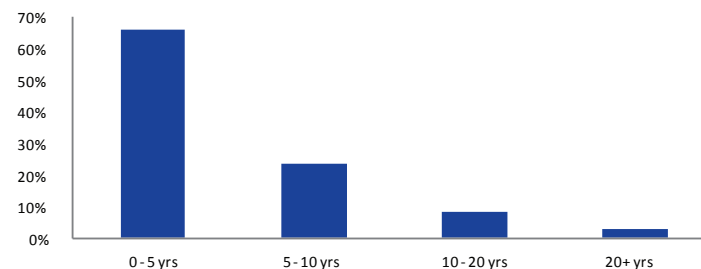
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Consumer, Cyclical (26.79%)
- Financial (23.52%)
- Sovereign (14.56%)
- Communication (7.10%)
- Industrial (7.06%)
- Diversified (5.98%)
- Utilities (4.08%)
- Materials (2.56%)
- Cash (8.35%)



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 34.92 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

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