

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

Business as (un) usual

Credit markets continued their recovery during March and finished the first quarter on a solid note. Reasons were a consolidation in commodity markets and the statements by the FOMC meeting as well as a subsequent speech by Janet Yellen which proved to be a turn-around in policy: whereas previously the road map to a tightening cycle had been laid out - with the December rate hike being the initiation - they are now back to a more dovish stance in their monetary policy. The rationale given is its implications on global growth and financial market stability. This is despite the fact that domestically all necessary conditions for further hikes are met, i.e. steady job market growth, wage increases, as well as a pick-up in core inflation.

The fund has a year to date return of 1.41% now which is largely due to March after breaking even at the end of February. This is however less than the index which is up 2.32%. The difference is due to the more defensive nature of the fund and we expect to outperform the index as volatility returns to the markets.

The best performing assets in the portfolio have been within the high beta section of the portfolio in names like DP World CBS, Sri Lanka 25s, Jordan 26s, NBK perps as well as NTPC 26 that performed particularly well in the market recovery and an appetite to add risk again. There have been no noteworthy losers last month.

The second quarter will feature a variety of events which have the capacity to induce volatility: near term in the middle of April there will be the OPEC meeting together with Russia to discuss production levels, then there are two more FOMC meetings and as a wild card the vote on Brexit which has significant repercussions on markets if it happens, but even during the run up towards the vote nervousness can be expected. Finally there was a leak of the so-called "Panama Papers" which puts the global financial sector once again in the spot-light of the public. Besides the usual scandals it will likely result in fines for some financial institutions, corporates and perhaps further regulation. Expect a long series of articles to be published on that subject.

We expect volatility to return and therefore continue to pursue a defensive strategy with the view to employ cash when opportunities arise. We will continue to increase cash during periods of market recovery and reinvest during market dips.

The fund's average rating was BBB-, average yield was at 4.06% and duration remained short at 3.8 years. The average maturity is 6.3 years now.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	1.39%	1.41%	1.85%	10.93%	35.62%	37.97%	
Benchmark	1.57%	2.32%	2.00%	11.86%	33.65%	82.29%	
	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	12.43%
Emirates Airlines	7.63%
Dip Sukuk Ltd	6.10%
Al Shindagha Sukuk Ltd	6.07%
Turkish AirIn 15-1 A Ptt	5.38%

Fund Statistics

Average Coupon	4.77
Fund Rating	BBB-
Average Maturity	6.29
Average Yield	4.06
Modified Duration	3.77
CAGR Since Incep	3.22%
1 year Volatility	2.34%
3 year Volatility	5.69%
Sharpe Ratio - 1 year	0.31
Sharpe Ratio - 3 year	1.72

Monthly Performance (%)

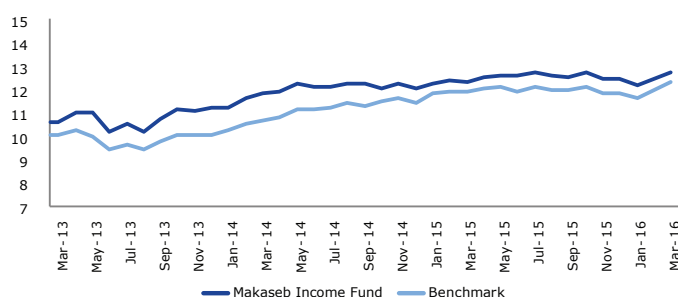
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2016	-1.16	1.19	1.39	-	-	-	-	-	-	-	-	-	1.41
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-0.81	-0.18	0.81	-1.07	-0.17	1.88
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	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: 7.36% 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.

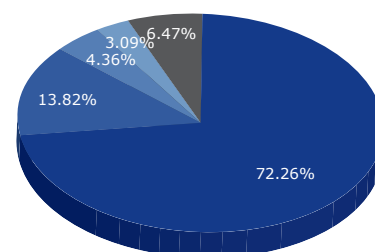
SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Performance (Chart)



Regional Allocation

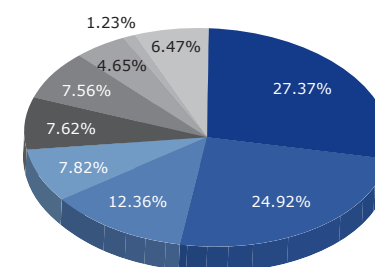
- MENA (72.26%)
- South Asia (13.82%)
- Europe* (4.36%)
- Asia (3.09%)
- Cash (6.47%)



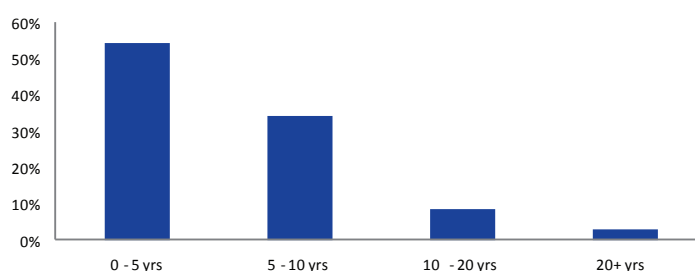
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (27.37%)
- Consumer, Cyclical (24.92%)
- Sovereign (12.36%)
- Diversified (7.82%)
- Industrial (7.62%)
- Utilities (7.56%)
- Communication (4.65%)
- Consumer, Non-Cyclical (1.23%)
- Cash (6.47%)



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 32.93 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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