

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 performed steady in May 2014

The fund was up by 1.73%, which was more than the 1.64% of the JP Morgan Middle East Index. Year-to-date the fund is up by 4.86%.

During May we experienced a curiosity in the US treasury market: while economic data tended to be released mostly above expectations, the reaction of the bond market would have been expected to sell-off subsequently, but the opposite happened whenever numbers were released. This behavior only changed at the very end of the month when the market started reacting again as expected. Explanations for this are perhaps a massive overhand of short positions that were put on at the beginning of the year expecting higher yields, but also we had some macro events like the crisis in Russia and Ukraine that kept on dragging on.

Going into June it will be interesting to see how the market will digest the massive issuance of new bonds. Looking at the GCC market though this should be more than balanced with maturities coming up which need to be reinvested.

Also we will have the FOMC meeting again on 18 June with Fed Chair Yellen giving her second speech. Given the better picture from an economic perspective it will be interesting to see how the Fed will adjust its wording and guide on the future interest rate path.

The fund therefore continues to be defensive and cautious about rate sensibility.

We actively manage risk by adjusting duration exposure according to rate expectations and by hedging certain maturity brackets. Currently the fund has a high average rating of BB+, an average yield of 5.63% and a relatively short duration of 2.55 years. The short duration is a result of our hedging.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	1.73%	4.86%	6.02%	27.61%	67.76%	34.85%	
Benchmark	1.64%	5.55%	6.08%	22.15%	57.57%	72.23%	
	2007	2008	2009	2010	2011	2012	2013
MIF	2.10%	-21.60%	10.40%	12.08%	0.92%	19.93%	5.50%
Benchmark	5.62%	-10.61%	23.54%	12.30%	7.08%	12.15%	0.39%

Top Holdings

ICD Funding Ltd	7.37%
Investcorp SA	5.41%
Maf Global Securities	5.13%
Bharti Airtel International	5.12%
Dar Al-Arkan Sukuk Co Ltd.	4.91%

Fund Statistics

Average Coupon	5.78
Fund Rating	BB+
Average Maturity	8.25
Average Yield	4.63
Modified Duration	2.55
CAGR Since Incep	3.67%
1 year Volatility	8.24%
3 year Volatility	3.24%
Sharpe Ratio - 1 year	1.36
Sharpe Ratio - 3 year	3.26

Monthly Performance (%)

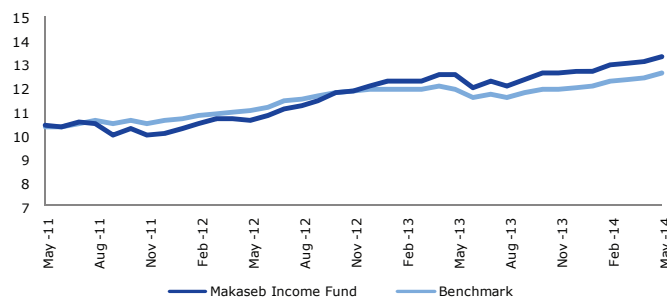
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	-0.03	2.05	0.73	0.32	1.73	-	-	-	-	-	-	-	4.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-0.18	0.80	5.50
2012	1.79	2.09	1.99	0.24	-0.99	1.84	2.95	1.15	1.43	3.11	0.56	1.74	19.93
2011	0.87	-1.38	1.49	2.78	1.06	-0.82	1.91	-0.37	-4.60	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: 39.09% 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.

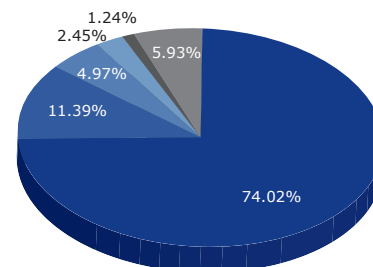
SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Performance (Chart)



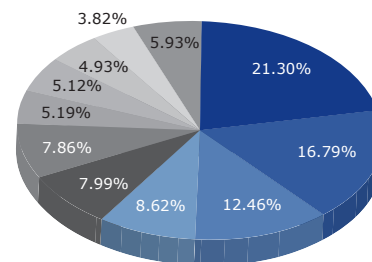
Regional Allocation

- MENA (74.02%)
- South Asia (11.39%)
- CIS (4.97%)
- Europe (2.45%)
- South America (1.24%)
- Cash (5.93%)

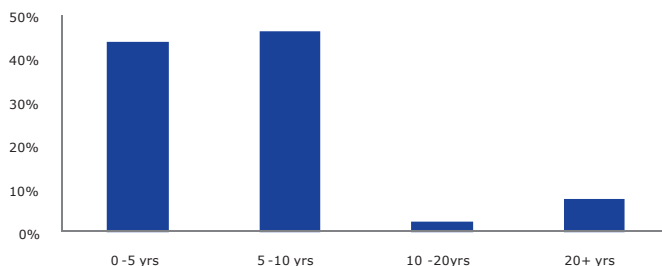


Industry Allocation

- Financial (21.30%)
- Conglomerate (16.79%)
- Real Estate (12.46%)
- Industrial (8.62%)
- Diversified Finan Serv (7.99%)
- Utilities (7.86%)
- Energy (5.19%)
- Telecom Services (5.12%)
- Sovereign (4.93%)
- Logistics (3.82%)
- Cash (5.93%)



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 40.86 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	Don't Add
Benchmark	JP Morgan MECI Index	Performance Fee	Nil
Investment Manager	Mashreq Bank	Management Fee	75 bps
Fund Manager	Abdul Kadir Hussain, CFA	Settlement for Subscriptions	2 Business Days prior to Dealing Day
Valuation Day	Each Business Day	Settlement for Redemption	5 Business Days after the Dealing Day
Dealing Day (Subscription/Redemption)	Each Business Day	Notice Periods	2 Business Days each for Subscriptions and Redemptions
ISIN	BH000A0J3RR6		

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