

## 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

#### MIF extends gains

MIF managed to achieve another great performance throughout August and now stands at a remarkable YTD performance of 12.1% while extending its outperformance further to 3.9% against the benchmark.

Without mayor events that would have shifted sentiment dramatically the price action was generally supportive. There was some up and down price action in MENA bonds but at the end stability prevailed.

Looking forward to September the theme in the market will probably be dominated by monetary policy action around the globe. In the US QE3 looks more and more likely or at least some level of support is expected. In Europe the panic has vanished and tail risks are judged to be less likely. Eyes are on the ECB and the German constitutional court regarding the ESM decision. China is also expected to provide some sort of fiscal and monetary stimuli for its still strongly growing but slowing economy.

The strategy of the fund was consistent with the previous months and as such the focus was on investments regionally, optimization in terms of relative value and seizing opportunities in new issues. Profits on some of the now lower yielding positions that had performed well was locked-in and partially reinvested into higher yielding bonds with lower duration where there is more potential upside.

The fund ended the month with a cash balance of 7.4%, average rating was lowered to BB- and the current average yield increased to 6.4%.

### Fund Returns

	MTD	YTD	1 Year	3 Years	SI
MIF	1.1%	12.1%	6.9%	10.1%	12.5%
Benchmark	2.2%	8.1%	7.4%	8.4%	47.6%
	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

Emaar	8.9%
Bahrain Government	6.9%
Dubai Holding Comm Op	10.0%
Dubai Government	6.0%
Aldar Properties	6.0%

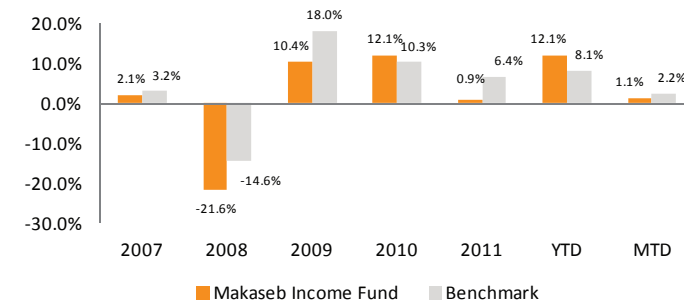
### Fund Statistics

Average Coupon	6.2
Fund Rating	BB-
Average Maturity	5.9
Average Yield	6.4
Modified Duration	3.4

### Fund Details

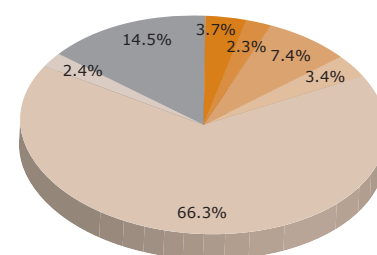
Fund Type	Open Ended
Domicile	Bahrain
Inception Date	Mar 29, 2006
Currency	USD
Regulator	Central Bank of Bahrain
Investment Manager	Mashreq Capital
Net Asset Value	Weekly

### Performance (Chart)



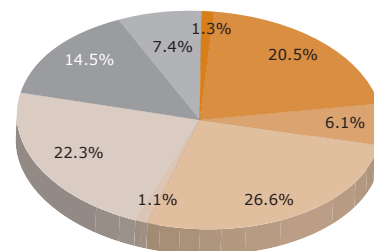
### Regional Allocation

- Africa (3.7%)
- Asia (2.3%)
- Cash (7.4%)
- CIS (3.4%)
- MENA (66.3%)
- South Asia (2.4%)
- US Treasury Futures (14.5%)



### Ratings Breakdown

- A+ to A- (1.3%)
- BBB+ to BBB- (20.5%)
- BB+ to BB- (6.1%)
- B+ to B- (26.6%)
- C+ to C- (1.1%)
- Not Rated (22.3%)
- US Treasury Futures (14.5%)
- Cash (7.4%)



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

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