

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 again in June 2014

The fund was down by -0.47%, which was more than the -0.1% of the JP Morgan Middle East Index. Year-to-date the fund is up by 4.37%.

What was expected to be a quiet month of the year turns out to be rather eventful: new issues keep on pouring into the market and interest rates stay relatively low on the back of continued dovish monetary policy from both the US Fed and ECB. The ECB has good reason as the economic recovery in the periphery is clearly lagging and big economies like France also show weaknesses. There are some events that need to be monitored closely like the Banco Espírito Santo issue in Portugal and some political struggles ahead of elections in Bulgaria which brought some turbulences into the local banking sector. This also explains our underperformance to the benchmark this month due to exposure to this sector.

In the US though the more current data is rather encouraging and points towards a healthy recovery – nonetheless the Q1 GDP number was worse than expected, coming out as a negative 2.9%. Since tapering is expected to be concluded by October the market will likely become more sensitive to data releases and sharp moves upwards in the yield curve cannot be ruled out.

In Asia, performance seems to be picking up and China looks to perform better than largely expected. Analysts are starting to revise their estimates upwards, beyond a 7.5% growth area.

Geopolitical risks are still omnipresent but are priced in for the time being (Russia, Ukraine, Iraq, Gaza). Unless the situation gets worse, implications for the markets should be contained. Oil prices have already come off 7% from their recent heights. 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 4.62% and a relatively short duration of 2.1 years. The short duration is a result of our hedging.

Fund Returns

| | MTD | YTD | 1 Year | 3 Years | 5 Years | SI | |
|-----------|--------|---------|--------|---------|---------|--------|-------|
| MIF | -0.47% | 4.37% | 10.20% | 28.07% | 65.70% | 34.22% | |
| Benchmark | -0.09% | 5.45% | 9.23% | 21.88% | 55.94% | 72.07% | |
| | 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 | 7.54% |
| Turk Telekomunikasyon As | 6.23% |
| Investcorp SA | 5.53% |
| Dar Al-Arkan Sukuk Co Lt | 5.09% |
| Srilankan Airlines Ltd | 5.07% |

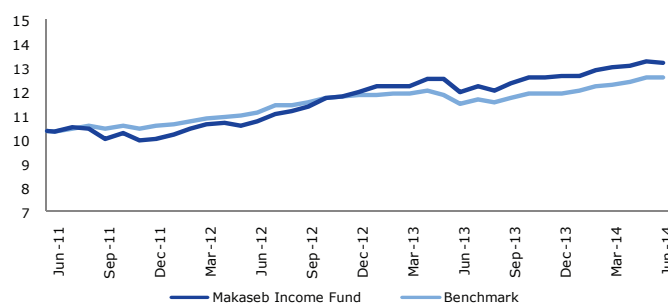
Fund Statistics

| | |
|-----------------------|-------|
| Average Coupon | 5.71 |
| Fund Rating | BB+ |
| Average Maturity | 8.25 |
| Average Yield | 4.62 |
| Modified Duration | 2.10 |
| CAGR Since Incep | 3.58% |
| 1 year Volatility | 3.30% |
| 3 year Volatility | 8.25% |
| Sharpe Ratio - 1 year | 2.95 |
| Sharpe Ratio - 3 year | 3.35 |

Monthly Performance (%)

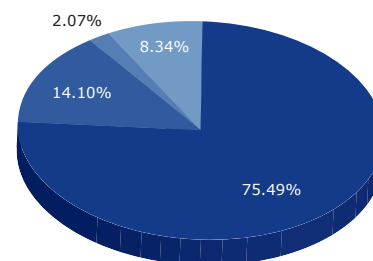
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2014 | -0.03 | 2.05 | 0.73 | 0.32 | 1.73 | -0.47 | - | - | - | - | - | - | 4.37 |
| 2013 | 1.82 | 0.27 | -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 |

Performance (Chart)



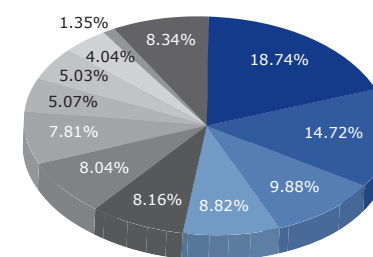
Regional Allocation

- MENA (75.49%)
- South Asia (14.10%)
- Europe (2.07%)
- Cash (8.34%)

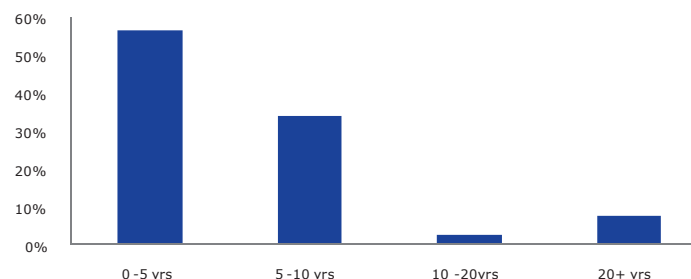


Industry Allocation

- Financial (18.74%)
- Conglomerate (14.72%)
- Real Estate (9.88%)
- Telecom Services (8.82%)
- Diversified Finan Serv (8.16%)
- Utilities (8.04%)
- Industrial (7.81%)
- Airlines (5.07%)
- Sovereign (5.03%)
- Energy (4.04%)
- Logistics (1.35%)
- Cash (8.34%)



Maturity Profile



Note: 46.18% 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

Makaseb Income Fund (MIF)

Fund Details

| | | | |
|---------------------------------------|--------------------------|------------------------------|--|
| Fund size | USD 39.67 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 | 2% |
| 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 | | |

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