

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

Makaseb Income Fund with relative outperformance

The fund was about to close the month with another record high but in the very last minute markets took a turn for the worse after Greece unexpectedly announced a referendum. Still, the fund was slightly down by 0.20% when the index was down 0.84%. This resulted in the fund beating the index on a year-to-date basis: the fund is up 2.59% whereas the index is up 2.46%.

US Treasuries continued to sell off during June and only had a small bounce after the news about the Greek referendum had hit the wires. The fund did experience losses on its long duration positions but these were largely compensated by gains on strategic hedges.

The top performing bonds in the portfolio were the new NBAD perps, the recent Ahli United Bank perps and Bank Dhofar perps. Also Pakistan 19s performed well on the back of positive rating agency comments. The underperformers were issues with long duration again like OCP 44s, Pelindo II 45s, Oman Grid 25s and Power Grid 23s, but as mentioned above hedge positions were able to compensate most of the moves.

As we enter the second half of the year we still have to monitor most of the themes we already had in the first half: The highly debated first rate hike by the FED is still outstanding. Some argue for September but others see it being delayed until next year. Economic data continues to improve but since signs of inflation, an overheating of the economy and labor market are not in sight, the arguments are balanced. Other factors to consider are the strong dollar and soft data out of Emerging Markets as well as the uncertainty created by the unresolved Greek issue.

Also there continues to be terrorist attacks within the geographical focus of the fund. Markets tend to overreact on such news and return back to normal after one or two weeks.

Another big event to watch this month might be the long anticipated deal with Iran, and, although less in the focus of the media at the moment, the restructuring of Ukraine's debt.

We will stay defensive on interest rate sensitivity as long as rates remain at the lower end of the current trading range. Generally we see the portfolio as well balanced and ready to continue its positive performance into the second half.

The fund's average rating remained at BB+, average yield was up at 4.72% and duration remained largely unchanged at 3.7 years mainly through hedges. The average maturity is 11.3 years.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	-0.20%	2.59%	2.08%	25.27%	45.48%	37.02%	
Benchmark	-0.84%	2.46%	4.01%	17.31%	39.14%	78.97%	
	2008	2009	2010	2011	2012	2013	2014
MIF	-21.60%	10.40%	12.08%	0.92%	19.93%	5.50%	3.86%
Benchmark	-10.61%	23.54%	12.30%	7.08%	12.15%	0.39%	7.05%

Top Holdings

Dip Sukuk Ltd	8.66%
Office Cherifien Des Pho	8.30%
Investcorp Sa	5.84%
Nbk Tier 1 Fnc Ltd	5.51%
Dubai Holding Comm Op	4.40%

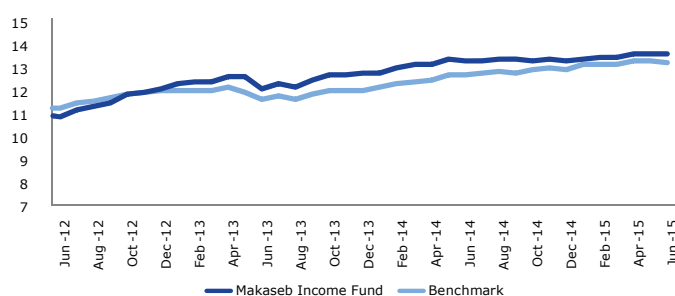
Fund Statistics

Average Coupon	5.32
Fund Rating	BB+
Average Maturity	11.26
Average Yield	4.72
Modified Duration	3.66
CAGR Since Incep	3.41%
1 year Volatility	2.51%
3 year Volatility	5.49%
Sharpe Ratio - 1 year	0.38
Sharpe Ratio - 3 year	4.40

Monthly Performance (%)

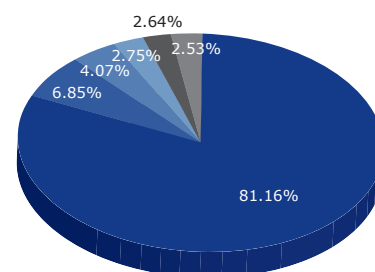
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	-	-	-	-	-	-	2.59
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-0.18	0.80	5.50
2012	1.79	2.09	1.99	0.24	-0.99	1.84	2.95	1.15	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

Performance (Chart)



Regional Allocation

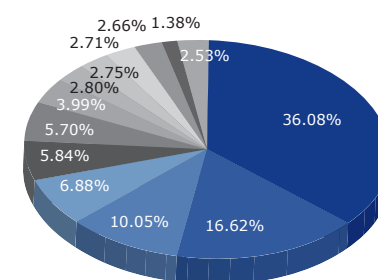
- MENA (81.16%)
- South Asia (6.85%)
- Europe* (4.07%)
- CIS (2.75%)
- Asia (2.64%)
- Cash (2.53%)



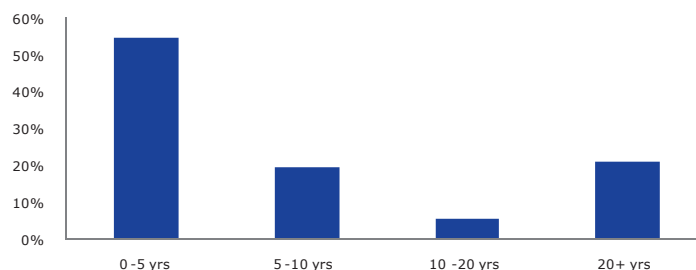
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (36.08%)
- Industrial (16.62%)
- Conglomerate (10.05%)
- Consumer, Cyclical (6.88%)
- Diversified Finan Serv (5.84%)
- Materials (5.70%)
- Utilities (3.99%)
- Sovereign (2.80%)
- Energy (2.75%)
- Logistics (2.71%)
- Sovereigns (2.66%)
- Communication (1.38%)
- Cash (2.53%)



Maturity Profile



Note: 13.88% 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 36.64 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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