

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

Despite tough market conditions MIF is little changed in May. MIF continues to outperform its benchmark index by 2% on a YTD basis despite having shed 1% of its performance. The fund now has a 5.7% gain YTD.

The current market theme is dominated by yet another Greek election of which the outcome could trigger further market turbulences across Europe and even spread outside the region. In that context also Spain became a focus of attention with urgent needs to recapitalize its banks – apart from the ongoing funding issues.

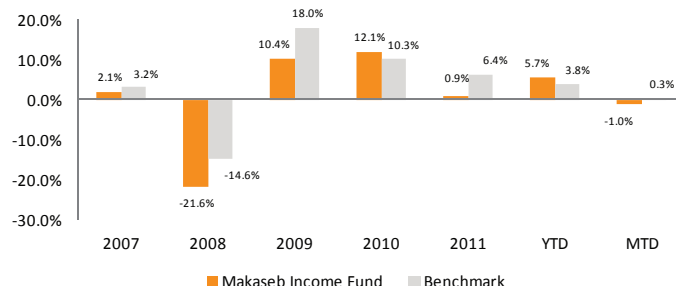
As long as the elections do not have a favorable outcome and important policy responses on a European level are outstanding the market will stay cautious. Especially as latest economic data from the US and BRIC (except Russia) came in softer and raises worries about their growth dynamics.

Nevertheless the MENA market stayed relatively firm and could weather most of the news. We saw a highly anticipated new issue from Saudi Electric which was launched successfully. We expect MENA issues to perform well on the back of a favorable supply and demand balance due to large maturities of which part of the monies should be reemployed in the region.

Therefore the strategy of the fund has been to stay cautious and focus the attention of investments regionally until more opportunities emerge elsewhere again.

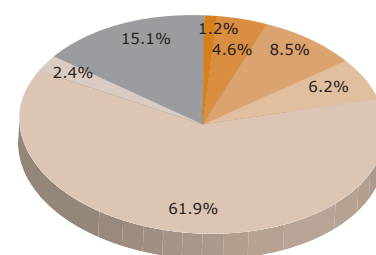
The fund ended the month with a cash balance of 8.5%, average rating of BBB- and the current average yield is 7.3%.

Performance (Chart)



Regional Allocation

- Africa (1.2%)
- Asia (4.6%)
- Cash (8.5%)
- CIS (6.2%)
- MENA (61.9%)
- South Asia (2.4%)
- US Treasury Futures (15.1%)



Fund Returns

	MTD	YTD	1 Year	3 Years	SI
MIF	-1.0%	5.7%	2.4%	10.1%	6.1%
Benchmark	0.3%	3.8%	6.3%	9.5%	41.3%
	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

Dubai Holding Comm Op	12.3%
Dubai Dof Sukuk Ltd	5.9%
Ipic Gmtn Ltd	5.8%
Tamweel Funding Ltd	5.7%
Dp World Sukuk Ltd	4.6%

Fund Statistics

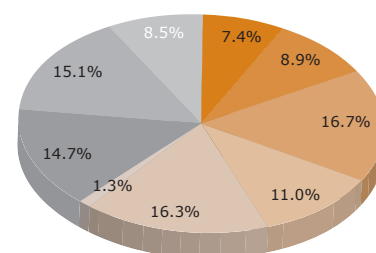
Average Coupon	5.7
Fund Rating	BBB-
Average Maturity	5.9
Average Yield	7.3
Modified Duration	3.6

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

Ratings Breakdown

- AAA to AA- (7.4%)
- A+ to A- (8.9%)
- BBB+ to BBB- (16.7%)
- BB+ to BB- (11.0%)
- B+ to B- (16.3%)
- C+ to C- (1.3%)
- Not Rated (14.7%)
- US Treasury Futures (15.1%)
- Cash (8.5%)



Subscription/ redemption	Weekly
Management Fee	0.75% p.a.
Auditor	Deloitte & Touche
Registrar	Key Point
Administrator & Custodian	HSBC
Bloomberg Ticker	MAKAINC BI
Zawya Code	MAKINCM.MF

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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