

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

Streak of gains continued

September has been another excellent month for MIF with YTD performance at 13.7% leaving the benchmark further behind, beating it by 4.45%.

Markets have generally been stable during September due to the actions of the US Federal Reserve and the ECB. The ECB moved first with revealing its new Outright Monetary Transactions (OMT) instrument under which it will safeguard the European sovereign bond markets in order to maintain reasonable refinancing conditions for the member countries by intervening directly in secondary markets.

Then the US Federal Reserve revealed the details of its third round of quantitative easing (QE3) which includes purchasing additional agency mortgage-backed securities at a pace of USD 40 billion per month.

Now it is up to politicians to deliver on necessary reforms to promote growth and create space for austerity measures. The months ahead will certainly not be a straight forward road. Especially as risk premia diminish the longer the market is in a "risk on" mode and market participants become more cautious about anything that might taint the picture.

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. It played out to get involved into some of the higher yielding bonds last month as part of the reallocation. Cash balance has been reduced to gain further exposure into the strengthening market.

The fund ended the month with a cash balance of 3.5%, average rating was a bit higher at BB and the current average yield was reduced to 6%.

Fund Returns

	MTD	YTD	1 Year	3 Years	SI
MIF	1.4%	13.7%	10.0%	8.9%	14.1%
Benchmark	0.8%	9.2%	8.0%	7.6%	48.9%
	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

QTEL	5.9%
Malayan Banking Bhd	7.9%
Dubai Holding Comm Op	10.0%
Dubai Government	8.7%
Aldar Properties	5.9%

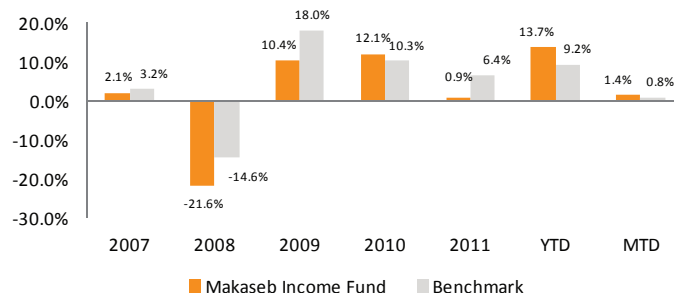
Fund Statistics

Average Coupon	5.8
Fund Rating	BB
Average Maturity	7.3
Average Yield	6.0
Modified Duration	3.8

Fund Details

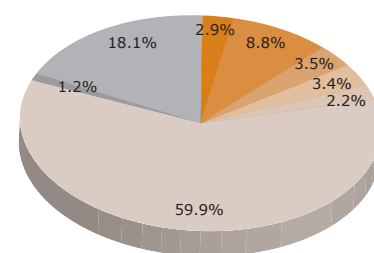
Fund Type	Open Ended
Domicile	Bahrain
Inception Date	Mar 29, 2006
Currency	USD
Regulator	Central Bank of Bahrain
Investment Manager	Mashreq Capital
Net Asset Value	Weekly

Performance (Chart)



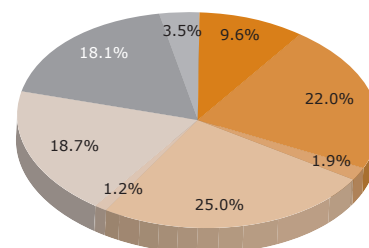
Regional Allocation

- Africa (2.9%)
- Asia (8.8%)
- Cash (3.5%)
- CIS (3.4%)
- Europe (2.2%)
- MENA (59.9%)
- South Asia (1.2%)
- US Treasury Futures (18.1%)



Ratings Breakdown

- A+ to A- (9.6%)
- BBB+ to BBB- (22.0%)
- BB+ to BB- (1.9%)
- B+ to B- (25.0%)
- C+ to C- (1.2%)
- Not Rated (18.7%)
- US Treasury Futures (18.1%)
- Cash (3.5%)



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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