

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

Over the finish line of the third quarter.

Despite a continuation of a challenging market, the fund only shed 0.18% in September which is in line with the index. Both the fund and benchmark remain at a similar year-to-date performance: 2.33% for the fund and 2.55% for the index.

Although in September we did not experience the same type of volatility as we had seen in August, it was still a difficult market with little liquidity and participants held off on new investments. For one there was the FOMC meeting which left the market a little bit puzzled as no new clear message was conveyed and then there was also the quarter-end effect which typically results in less trading activity. In fact we saw some heavy selling the days preceding the quarter-end as some parties had to dispose of positions.

At the time of writing we had the October employment numbers out of the US which were below expectations. This was followed by weakness from the ISM numbers, so this might make the market rethink the timing of a first FED rate hike. The initial positive reaction in the market certainly indicates so.

We used the weak market to employ the high cash balance that we carried throughout the month and added mainly during the last days of August at what appears to have been very good market levels. We are now close to fully invested again.

Although we remain slightly cautious, we think that the markets will further stabilize. Also given how the market has performed this year, there will be less pressure to square positions at the end of the year which might spare us the volatility that we experienced last year.

In September the fund's holdings were evenly distributed between negative and positive performers, the bottom five being MAF perps, Investcorp 17s, OCP 44s, Turkish Airline EETC 27s, and SOLUJ. The top performers were the new issue Pakistan 25s, African Finance 20s, NBAD perps, Bank of Sharjah 20s, and Adani Ports 20s.

The fund's average rating remained at BB+, average yield was at 5% and duration was longer at 3.9 years. The average maturity is 12.65 years now.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	-0.18%	2.33%	1.38%	18.29%	36.17%	36.66%	
Benchmark	-0.04%	2.55%	3.23%	13.07%	32.03%	79.14%	
	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	8.90%
Office Cherifien Des Pho	8.31%
Al Shindagha Sukuk Ltd	7.15%
Maf Global Securities	5.80%
Islamic Rep Of Pakistan	5.73%

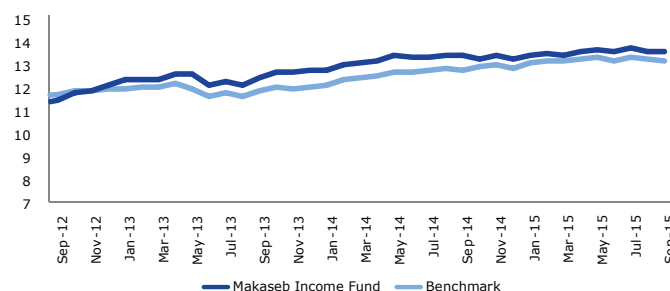
Fund Statistics

Average Coupon	5.27
Fund Rating	BB+
Average Maturity	12.65
Average Yield	5.01
Modified Duration	3.93
CAGR Since Incep	3.29%
1 year Volatility	2.63%
3 year Volatility	5.37%
Sharpe Ratio - 1 year	0.08
Sharpe Ratio - 3 year	3.19

Monthly Performance (%)

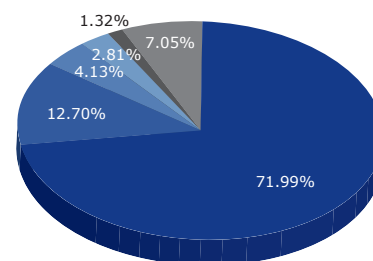
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-0.81	-0.18	-	-	-	2.33
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	2.07	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-0.18	0.80	5.50
2012	1.79	2.09	1.99	0.24	-0.99	1.84	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

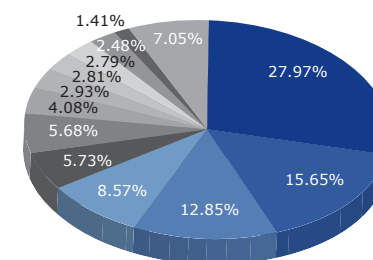
- MENA (71.99%)
- South Asia (12.70%)
- Europe (4.13%)
- CIS (2.81%)
- Asia (1.32%)
- Cash (7.05%)



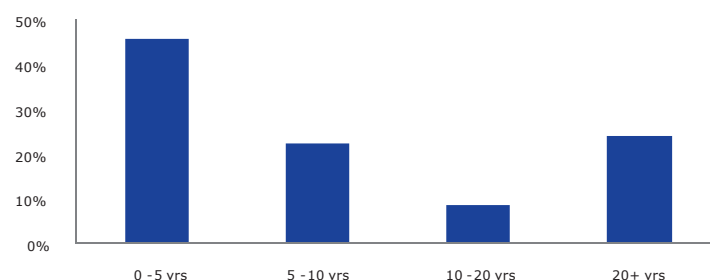
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (27.97%)
- Industrial (15.65%)
- Consumer, Cyclical (12.85%)
- Conglomerate (8.57%)
- Sovereign (5.73%)
- Materials (5.68%)
- Utilities (4.08%)
- Diversified Finan Serv (2.93%)
- Energy (2.81%)
- Consumer, Non-Cyclical (2.79%)
- Sovereigns (2.48%)
- Communication (1.41%)
- Cash (7.05%)



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 35.69 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

Contact Us: Tel: +9714 207 8811, **Email:** assetmanagement@mashreqbank.com, **Web:** www.mashreqassetmanagement.com

Disclaimer: This note has been prepared solely for information purposes. It does not constitute an investment advice, solicitation, offer or personal recommendation by Mashreq Asset Management or Mashreq Capital (DIFC) Limited ("MC"), or any of their related parties to buy or sell any securities, product, service or investment or to engage in or refrain from engaging in any transaction, particularly, in any jurisdiction where such an offer or solicitation would be illegal. Certain assumptions may have been made in the analysis that resulted in any information and results/returns detailed therein. No representation is made that any returns/results indicated would be achieved or that all assumptions in achieving these returns/results have been considered. Past performance is not necessarily indicative of future results. Neither Mashreq Asset Management nor MC warrant the accuracy of the information provided herein and views expressed in this document reflect the personal views of the analyst(s) which does not take account of individual clients' objectives, financial situations or needs. Investors are required to undertake their own assessment and seek appropriate financial, legal, tax and regulatory advice to determine whether this investment is appropriate for them in light of their experience, objectives, financial resources and other relevant circumstances. Mashreq Asset Management, MC nor any of their related parties accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this document and/or further communication in relation thereto. Mashreq Asset Management and MC do not accept any obligation to correct or update the information or opinions in this document; opinions expressed are subject to change without notice. This note is disseminated primarily electronically, and, in some cases, in printed form.

FOR THE DIFC-BASED FUND COVERED IN THIS NOTE, THE MATERIAL IS INTENDED ONLY FOR PROFESSIONAL CLIENTS, AND NOT FOR RETAIL CLIENTS, AS DEFINED BY THE DFSA RULES AND SHOULD NOT BE PROVIDED TO OR RELIED UPON BY ANY SUCH PERSON.

The above terms are indicative and do not constitute solicitation or an offer to sell to the public. This document is not intended to identify, represent or notify the conclusive terms and conditions of any transaction, other material considerations and any possible risks, direct or indirect, that would be involved in undertaking such a transaction. Mashreq Capital (DIFC) Ltd. is regulated by the DFSA