

## 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 had a strong start into the second quarter

The fund outperformed the benchmark in April and was up by 0.95% resulting in a 2.4% return YTD. In comparison the benchmark was only up 0.73% in April.

The stable market in US Treasuries during the first half of the month was used to take profit in positions which had performed well. The proceeds were subsequently reinvested into new issues that were mostly high yield or had shorter duration. This protected most of the gains of the fund during the second half of the month, when US Treasuries started to trend weaker. At the end of the month though we extended duration again which resulted in a slightly longer maturity profile than at the beginning of the month.

Positions in the portfolio were broadly up during the month. The top performing bonds in the portfolio were Kuwait Energy 19s, which were up 7%, Koc Holdings 20s, the new issue African Finance Corp 20s, Burgan Bank perps and Bharti Telekom 23s. The underperformers were issues with long duration like the new OCP 25s, the existing OCP 44s and Pelindo II 45s which were affected by the sell-off in treasuries.

As we enter the second quarter market participants started to put less weight on releases for economic activity from the first quarter, which tended to be on the weaker side recently. History has shown though that the Q1 US data has a life of its own, e.g. because of seasonality or exceptional weather effects. Instead the focus shifted to the second quarter now and expectations for stronger data going forward are rising - perhaps a little too much.

Going into May we still continue to face the unresolved Greece issue in Europe, geopolitics remain largely unchanged but have been less of a discussion point. We expect volatility in the treasury to increase as expectations for growth are rising and at the same time a potential lift-off of rates is moving closer. The recovery in oil prices has granted somewhat of a relief for oil producing countries and companies which will likely persist during May. Previously the ever declining price had raised concerns as to where it might stop.

The fund's average rating remained at BB+, average yield was lower at 4.8% and duration increased to 5 years. The average maturity is 11.1 years now.

### Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	0.95%	2.40%	3.17%	26.07%	44.30%	36.75%	
Benchmark	0.73%	3.06%	6.24%	20.22%	40.98%	80.02%	
	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

Office Cherifien Des Pho	7.97%
Dip Sukuk Ltd	7.94%
Investcorp Sa	5.37%
Nbk Tier 1 Fnc Ltd	5.07%
Dubai Holding Comm Op	3.99%

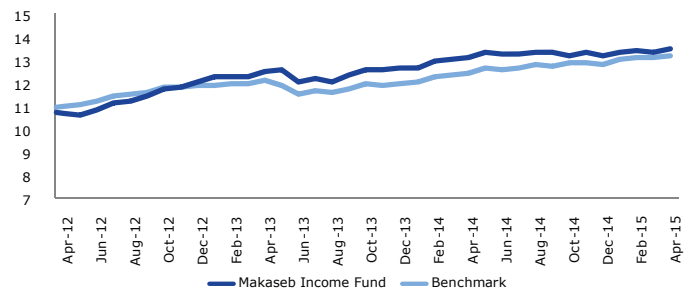
### Fund Statistics

Average Coupon	5.43
Fund Rating	BB+
Average Maturity	11.08
Average Yield	4.83
Modified Duration	5.02
CAGR Since Incep	3.45%
1 year Volatility	2.53%
3 year Volatility	5.74%
Sharpe Ratio - 1 year	0.66
Sharpe Ratio - 3 year	4.28

### Monthly Performance (%)

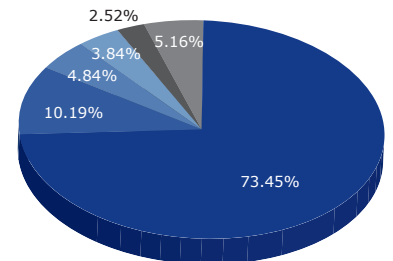
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	0.95	0.66	-0.17	0.95	-	-	-	-	-	-	-	-	2.40
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-0.18	0.80	5.50
2012	1.79	2.09	1.99	0.24	-0.99	1.84	2.95	1.15	1.43	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

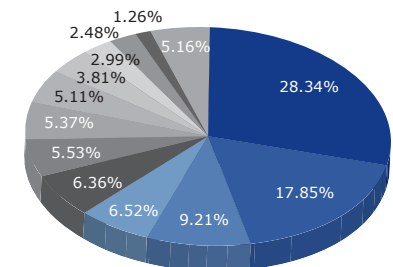
- MENA (73.45%)
- South Asia (10.19%)
- Asia (4.84%)
- Europe\* (3.84%)
- CIS (2.52%)
- Cash (5.16%)



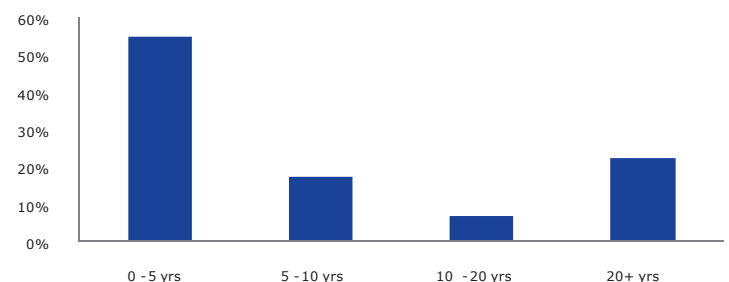
\*UAE Emirates Airline financing with UK export agency guarantee

### Industry Allocation

- Financial (28.34%)
- Industrial (17.85%)
- Conglomerate (9.21%)
- Logistics (6.52%)
- Consumer, Cyclical (6.36%)
- Materials (5.53%)
- Diversified Finan Serv (5.37%)
- Sovereign (5.11%)
- Utilities (3.81%)
- Energy (2.99%)
- Airlines (2.48%)
- Communication (1.26%)
- Cash (5.16%)



### Maturity Profile



Note: 0.00% 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 39.72 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 Bank	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](mailto:assetmanagement@mashreqbank.com), Web: [www.mashreqassetmanagement.com](http://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