

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

Navigating through August volatility.

The fund shed 0.81% in August which is almost equivalent to last month's return. This was slightly more than the index's loss of 0.66%. The fund and benchmark are almost head-to-head on a year-to-date performance: 2.52% for the fund and 2.59% for the index.

August experienced some extraordinary volatility. The Dow Jones Index started a rapid decline on the 19th with three sessions of losses between 2% and 3% each day. Then on Monday the 24th futures already indicated a devastating opening for the stock exchange and in fact the index dropped by 1100 points within minutes. This was close to 6.7%. Little conciliation was provided by the fact that the index closed down "only" 590 points that day. The VIX - a measure for volatility - rose to levels last seen during September 2011.

So what caused it? Popular media was very quick in identifying single reasons like the devaluation of the Chinese Renminbi, but in reality a combination of factors must have been the case. Perceived overvalued stocks after a six year bull market, uncertainty about rates and FED action, unwinding of leveraged positions, Emerging Markets disappointing expectations, global readjustments between commodity producers and consumers, a price correction gone out of control with herd mentality turning from greed into panic. In the same way you can ask yourself "What ultimately makes an apple fall off a tree?" It might have been the wind but if it wasn't ripe it wouldn't have fallen.

As mentioned last month we went into August already concerned about market volatility. We therefore raised our cash holdings from 5.6% to 18.3% throughout the month. This is the highest level during the last couple of years. We would have outperformed the index, but had one idiosyncratic event due to exposure to a credit, which had an unanticipated big drop in price due to a sudden high likelihood of it being called and repaid early.

In August the fund's holdings were broadly negative with the only ones positive being the ones that were either sold at the beginning or from outside the MENA region like: Power Grid 23s in India or Pakistan 19s. The top underperformer were Burgan Bank 20s (due to possible call), MAF perps, Oman Grid 25, OCP 44s and STP 20s.

We remain slightly cautious but also think that we are reaching price levels which are attractive entry points. Given that we have a very high cash balance we are in a comfortable situation to take advantage of the currently depressed market.

The fund's average rating remained at BB+, average yield was at 4.864% and duration was shorter at 2.13 years. The average maturity is 12.2 years now.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	-0.81%	2.52%	1.41%	20.21%	37.83%	36.91%	
Benchmark	-0.66%	2.59%	2.65%	14.42%	33.08%	79.20%	
	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	8.85%
Office Cherifien Des Pho	8.39%
Investcorp Sa	5.93%
Nbk Tier 1 Fnc Ltd	5.71%
Al Shindagha Sukuk Ltd	4.28%

Fund Statistics

Average Coupon	5.28
Fund Rating	BB+
Average Maturity	12.20
Average Yield	4.86
Modified Duration	2.13
CAGR Since Incep	3.34%
1 year Volatility	2.64%
3 year Volatility	5.43%
Sharpe Ratio - 1 year	0.25
Sharpe Ratio - 3 year	3.58

Monthly Performance (%)

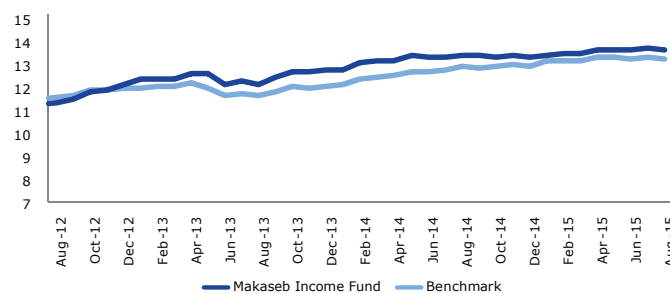
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-0.81	-	-	-	-	2.52
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-0.18	0.80	5.50
2012	1.79	2.09	1.99	0.24	-0.99	1.84	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

Note: 38.39% 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.

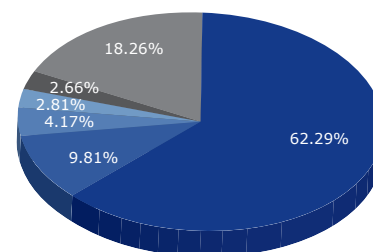
SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Performance (Chart)



Regional Allocation

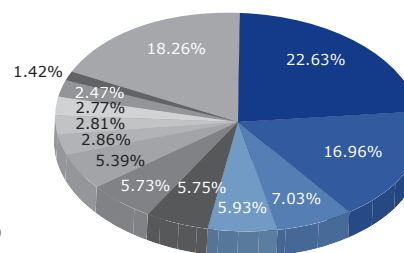
- MENA (62.29%)
- South Asia (9.81%)
- Europe* (4.17%)
- CIS (2.81%)
- Asia (2.66%)
- Cash (18.26%)



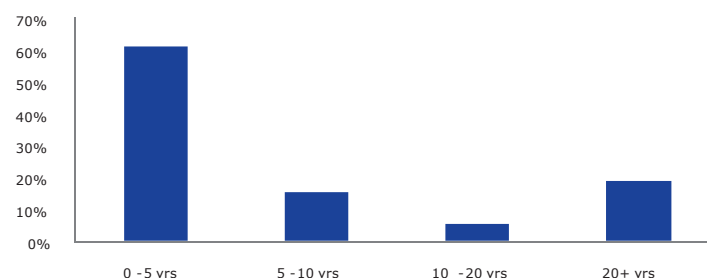
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (22.63%)
- Industrial (16.96%)
- Consumer, Cyclical (7.03%)
- Diversified Finan Serv (5.93%)
- Materials (5.75%)
- Conglomerate (5.73%)
- Utilities (5.39%)
- Sovereign (2.86%)
- Energy (2.81%)
- Consumer, Non-Cyclical (2.77%)
- Sovereigns (2.47%)
- Communication (1.42%)
- Cash (18.26%)



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 35.74 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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