

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 extending gains in July

The fund returned 0.74% in July which was in line with the index that was up 0.79%. We were able to consolidate the outperformance of the fund on a YTD basis with a total return of 3.35% which is above the 3.27% YTD return for the index.

US Treasuries traded mostly sideways during July but did manage to close marginally higher resulting in a decline of US 10 year interest rates by 20 basis points.

The fund's holdings were broadly positive except for a few positions which were slightly down. The top performing bonds in the portfolio were perpetuals and medium duration investment grade banks: National Bank of Kuwait perps, MAF perps, and EBI 20s, Africa Finance Corp 20s and Kuwait Turk Sukuk 19s. Reliance Communications 20s and DPWorld 20s also performed well.

The underperformers last month did not follow a general theme and the declines were too small so the most likely reason was the noise of price fluctuations. The bottom three Burgan Bank 20s, Turkish Airline EETC 27s and Pakistan 19s all lost less than one percentage point.

July was a very busy month in terms of data points but activity was muted due to the summer season. Once the Greek situation had gone through all the drama of a referendum and with finally accepting an even more stringent package, market participants wanted to return to business as usual but no real impulse followed. At the end of the month we had the FOMC meeting which many interpreted to be in line for a September rate rise as long as incoming economic data remains on track. The first big data point following the meeting will be the NFP number on 7 August.

Generally the combination of low commodity prices, a strong dollar and respective weakness in EM currencies, paired with the prospect of rising interest rates makes us a bit concerned about asset prices of weaker EM countries and possibly periods of higher volatility going forward. Politics and geopolitical conflicts are not exactly helpful either. Therefore we will tend to stick to credits that we perceive as being more stable and resilient to shocks.

We will stay defensive on interest rate sensitivity as long as rates remain at the lower end of the current trading range. We see the portfolio as being well balanced and ready to continue its positive performance into the second half.

The fund's average rating remained at BB+, average yield was at 4.678% and duration was shorter at 3.3 years mainly through increased hedges. The average maturity is 12.26 years.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	0.74%	3.35%	2.96%	22.58%	43.50%	38.02%	
Benchmark	0.79%	3.27%	4.47%	15.69%	38.08%	80.39%	
	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	8.70%
Office Cherifien Des Pho	8.33%
Investcorp Sa	5.86%
Nbk Tier 1 Fnc Ltd	5.57%
Al Shindagha Sukuk Ltd	4.20%

Fund Statistics

Average Coupon	5.35
Fund Rating	BB+
Average Maturity	12.26
Average Yield	4.68
Modified Duration	3.37
CAGR Since Incep	3.46%
1 year Volatility	2.52%
3 year Volatility	5.38%
Sharpe Ratio - 1 year	0.73
Sharpe Ratio - 3 year	3.99

Monthly Performance (%)

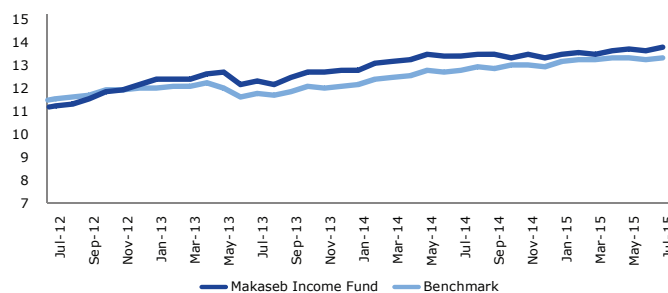
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	0.95	0.66	-0.17	0.95	0.39	-0.20	0.74	-	-	-	-	-	3.35
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-0.18	0.80	5.50
2012	1.79	2.09	1.99	0.24	-0.99	1.84	2.95	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: 22.82% 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.

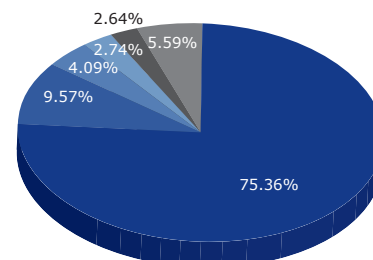
SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Performance (Chart)



Regional Allocation

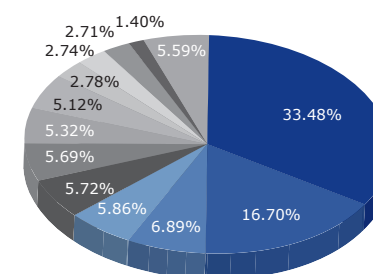
- MENA (75.36%)
- South Asia (9.57%)
- Europe* (4.09%)
- CIS (2.74%)
- Asia (2.64%)
- Cash (5.59%)



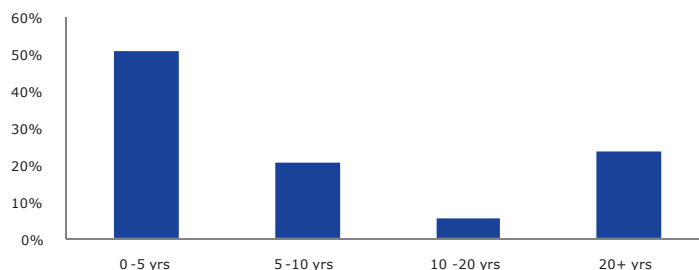
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (33.48%)
- Industrial (16.70%)
- Consumer, Cyclical (6.89%)
- Diversified Finan Serv (5.86%)
- Materials (5.72%)
- Conglomerate (5.69%)
- Utilities (5.32%)
- Sovereigns (5.12%)
- Sovereign (2.78%)
- Energy (2.74%)
- Consumer (2.71%)
- Communication (1.40%)
- Cash (5.59%)



Maturity Profile



Makaseb Income Fund (MIF)

Fund Details

Fund size	USD 36.65 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

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