

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

Makaseb Income Fund continued its strong performance into May

The fund outperformed the benchmark and was up by 0.39% resulting in a 2.79% return year to date. In comparison the benchmark was only up 0.26% in May.

US Treasuries sold off going into May but then started trading sideways - nevertheless fluctuations were still pronounced. We reduced some of the longer duration position and also started building some hedge positions which helped to smooth performance throughout the month.

Positions in the portfolio were broadly up during the month even though there were also some losers. The top performing bonds in the portfolio were Kuwait Energy 19s again, which were up another 4 percentage points, new issue Reliance Communications 20s, generally perpetual bonds and DP World 37s which performed very well during the book-building period of the new DP World 20s. The underperformers were issues with long duration like OCP 44s, Pelindo II 45s and Delhi Airports 22s which had idiosyncratic reasons.

As we approach the end of the second quarter, we will face a period of likely lower liquidity and higher volatility driven by the approaching FOMC meeting, the aftermath of Turkey elections, the still unresolved Greece situation, the Ramadan season as well as dealers being keen of keeping low inventory at the end of the quarter.

We will stay defensive during the month in terms of exposure and interest rate sensitivity unless we see a weakening of the market which allows for good entry points.

The fund's average rating remained at BB+, average yield was lower at 4.6% and duration decreased to 3.6 years mainly through hedges. The average maturity is 11.6 years now.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MIF	0.39%	2.79%	1.81%	27.82%	49.87%	37.29%	
Benchmark	0.26%	3.32%	4.79%	19.97%	42.89%	80.48%	
	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	8.02%
Office Cherifien Des Pho	7.94%
Investcorp Sa	5.42%
Nbk Tier 1 Fnc Ltd	5.17%
Dubai Holding Comm Op	3.98%

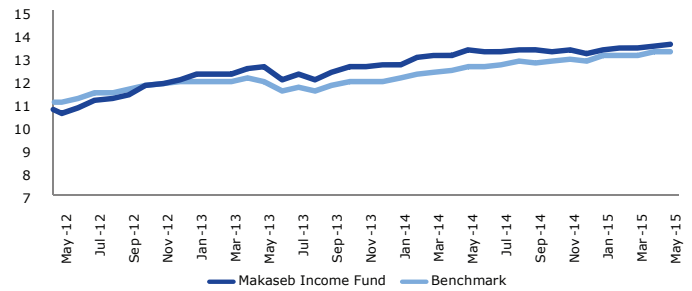
Fund Statistics

Average Coupon	5.35
Fund Rating	BB+
Average Maturity	11.62
Average Yield	4.61
Modified Duration	3.62
CAGR Since Incep	3.46%
1 year Volatility	2.59%
3 year Volatility	5.53%
Sharpe Ratio - 1 year	0.27
Sharpe Ratio - 3 year	4.83

Monthly Performance (%)

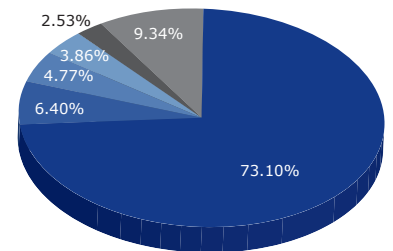
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	0.95	0.66	-0.17	0.95	0.39	-	-	-	-	-	-	-	2.79
2014	-0.03	2.05	0.73	0.32	1.73	-0.47	-0.12	0.71	-0.16	-0.87	0.92	-0.97	3.86
2013	1.82	0.27	-0.04	2.12	0.14	-4.25	1.78	-1.53	2.52	2.12	-0.18	0.80	5.50
2012	1.79	2.09	1.99	0.24	-0.99	1.84	2.95	1.15	1.43	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

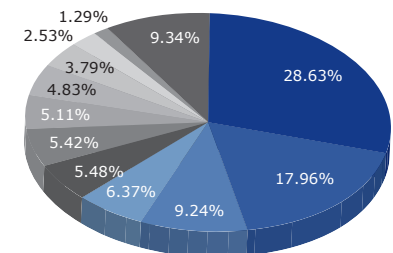
- MENA (73.10%)
- South Asia (6.40%)
- Asia (4.77%)
- Europe* (3.86%)
- CIS (2.53%)
- Cash (9.34%)



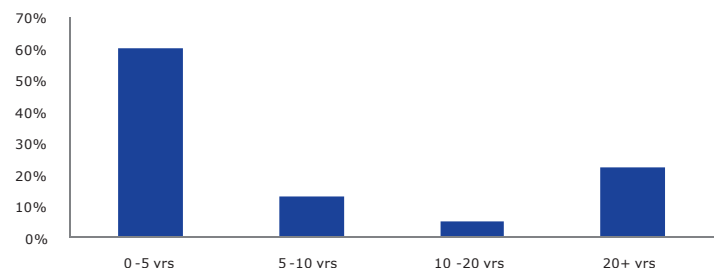
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (28.63%)
- Industrial (17.96%)
- Conglomerate (9.24%)
- Consumer, Cyclical (6.37%)
- Materials (5.48%)
- Diversified Finan Serv (5.42%)
- Sovereign (5.11%)
- Logistics (4.83%)
- Utilities (3.79%)
- Energy (2.53%)
- Communication (1.29%)
- Cash (9.34%)



Maturity Profile



Note: 7.07% 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 39.62 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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