

Mashreq Al Islami Income Fund (MAIIF)

Fund Description

The Fund's seeks to achieve average annual returns of 5-7% per annum over the life of the Fund. The Fund invests primarily in Sukuk and other fixed income Shariah compliant assets.

Fund Managers Commentary

Mashreq Al Islami Income Fund is up by 1.72% for the month of December 2011 and returned 7.91% for the year 2011

Amidst the widespread political instability in MENA region at start of the year and dodging the storms of European debt crisis, fund was largely resilient and has returned 7.91% for year 2011. The emerging Sukuk portfolio benchmark index, HSBC/Nasdaq Dubai Sukuk Total Return was up by 1.04% for the month and has returned 7.22% for the year 2011. The fund has shown strong performance since its inception in June 2009, returning 23.75% over two and half years.

Given the supply-demand dynamics of the sukuk market, with ample global sharia-compliant liquidity chasing a handful of investment-grade dollar sukuk, almost every sukuk issued in 2011 is currently trading at a premium. The demand for Sukuk paper still remains intact and remains relatively insensitive to other volatile markets.

The Sukuk market is expected to remain robust next year despite the global economic uncertainties, with the sukuk pipeline looking healthy for 2012. Nevertheless, stable market conditions will be the critical success factor for demand and how the global macro themes unfold in 2012.

The fund ended year 2011 with an average rating of BBB- and with 7.6% in cash. It seeks to achieve average annual returns of 5-7% per annum for 2012.

Fund Returns

	MTD	YTD	1 year	S.I.
MAIIF	1.7%	7.9%	7.9%	23.8%
			2009	2010
MAIIF			10.5%*	9.3%

Top Holdings

Aldar Sukuk Funding Li Ltd	10.0%
Emaar Sukuk Ltd	9.6%
Adib Sukuk Co Ltd	9.6%
Dubai Sukuk Centre	8.0%
Dubai Dof Sukuk Ltd	7.7%

Fund Statistics

Average Coupon	4.6
Fund Rating	BBB-
Average Maturity	3.5
Average Yield	6.4
Modified Duration	2.9

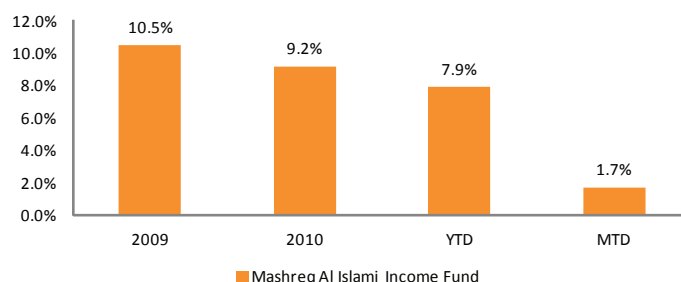
Fund Details

Fund Type	Shariah Compliant Fund
Domicile	DIFC, Dubai
Currency	USD
Regulator	DFSA
Net Asset Value	Weekly
Liquidity	Weekly

*annualised

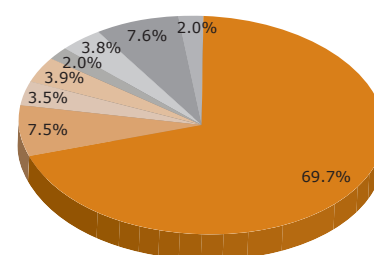
SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Performance (Chart)



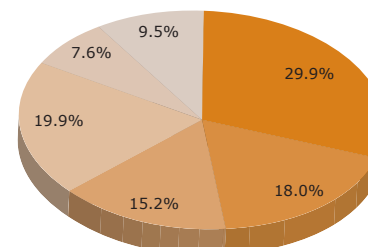
Regional Allocation

- United Arab Emirates (69.7%)
- Turkey (7.5%)
- Saudi Arabia (3.5%)
- Qatar (3.9%)
- Malaysia (2.0%)
- Indonesia (3.8%)
- Cash (7.6%)
- Bahrain (2.0%)



Ratings Breakdown

- A+ to A- (29.9%)
- B+ to B- (18.0%)
- BB+ to BB- (15.2%)
- BBB+ to BBB- (19.9%)
- Cash (7.6%)
- Not Rated (9.5%)



Management Fee	0.5% p.a.
Investment Manager	Mashreq Capital (DIFC) Limited
Auditor	Deloitte & Touche
Registrar, Administrator & Custodian	Deutsche Bank
Bloomberg Ticker	BADISIN
Zawya Code	MAKBIIF.MF

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

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