

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 Managers Commentary

The Makaseb Income Fund (MIF) gained 1.08% in December while the HSBC/ Nasdaq Dubai Investment Grade benchmark index was flat over the same period. The fund closed the year outperforming its benchmark, returning 12.08% versus an Index return of 10.33% in 2010.

Overall, the regional credit market has had a strong run in 2010, which was well supported by the positive restructuring process in Dubai. The HSBC/ Nasdaq Dubai Investment Grade index printed negative returns in only two months i.e. May and November, primarily on the back of the peripheral European Sovereign debt crisis.

We expect Makaseb Income Fund to return 8% - 10% in 2011 but see some volatility from macro-shocks emerging out of Europe. MENA bond issuance has been healthy in the past two years, with \$45.2 Billion and \$42.2 Billion issued in 2009 and 2010 respectively according to Bloomberg's league tables. We anticipate issuance in 2011 to increase year-over-year because of two primary factors. Firstly, more first time issuers will tap the primary market as corporates increasingly look towards diversifying their funding sources. Secondly, considerable amount of debt maturing in 2011 and 2012 will force many issuers to access the credit market as the window of opportunity opens.

The fund ends the year 95% invested with over 86% concentration in MENA credits and 5% cash.

Fund Returns

	MTD	2010	1Y	3Y	SI
MIF	1.1%	12.1%	12.1%	-3.0%	0.7%
Benchmark	0.0%	10.3%	10.3%	11.1%	19.5%
	2007	2008	2009		
MIF	2.1%	-21.6%	10.4%		
Benchmark	3.2%	-14.6%	18.0%		

Top Holdings

Emaar	9.4%
DP World	7.7%
Emirates Airlines	6.1%
Emirates Bank	5.9%
Qatar Telecom	5.4%

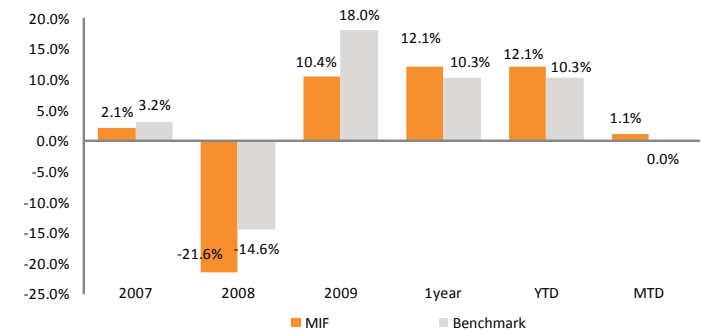
Fund Statistics

Coupon	5.5
Fund Rating	BBB-
Maturity	6.0
Yield	8.2
Modified Duration	3.5

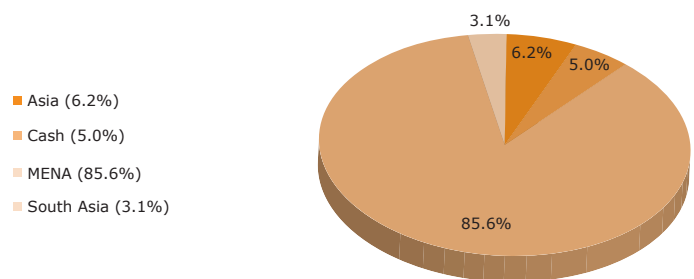
Fund Details

Fund Type	Open Ended
Domicile	Bahrain
Currency	USD
Regulator	Central Bank of Bahrain
Investment Manager	Mashreq Capital
Net Asset Value	Weekly

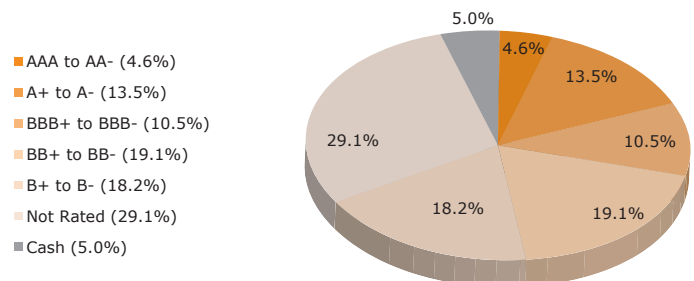
Performance (Chart)



Regional Allocation



Ratings Breakdown



Benchmark: HSBC/ NASDAQ Dubai Middle East Investment Grade Sukuk/ Bond Index (MEIGTR), SI: Since Inception, MTD: Month to Date, YTD: Year to Date

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