

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

MIF was up 1.04% for the month of December 2011 and finished the year 2011 up 1.4% YTD

December was a quiet trading month as many market participants already prepared for the year-end and reduced risk. Nevertheless the month ended slightly positive with MIF up 1.04% and up 1.4% for 2011. YTD the S&P ended the year up 2%, high yield bonds as measured by JP Morgan up 5.7% and investment grade bonds up 8.5% which reflects the increased risk-aversion experienced in 2011.

Looking forward to 2012 there still remain many open questions with a long list of items on the agenda: the European debt crisis, possibly a mild recession in Europe as a consequence and its impact on the world economy accompanied perhaps by a slowdown in growth in both the USA and China. There will be fiscal tightening and banks will continue to deleverage their balance sheets in order to run their business on a more solid capital base. On the other hand ongoing monetary stimulus is expected in all major economies around the world.

This dynamic mix of changes happening around the globe will be a guarantor for plenty of investment opportunities in 2012.

The MENA region will for sure contribute its part to it: many successful bond issues in the fourth quarter of 2011 opened the door for further issuance throughout 2012 and especially in Dubai there will be refinancing required.

The fund employed some of its cash in December for further investments. The cash balance at the end of the year was 4%, the average rating BB-, and the average yield 10.3%.

Fund Returns

	MTD	YTD	1 Year	3 Years	SI
MIF	1.0%	1.4%	1.4%	8.0%	0.9%
Benchmark	1.1%	6.4%	6.4%	11.9%	35.0%
	2007	2008	2009	2010	
MIF		2.1%	-21.6%	10.4%	12.1%
Benchmark		3.2%	-14.6%	18.0%	10.3%

Top Holdings

Dubai Holding Comm Op	12.5%
Emaar	10.9%
Kuveyt Turk	9.4%
QTEL	7.4%
Tamweel	6.3%

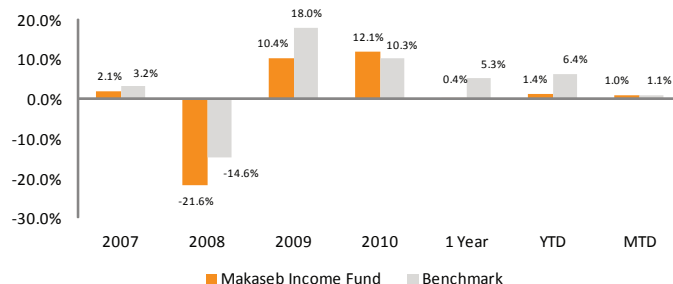
Fund Statistics

Average Coupon	5.8
Fund Rating	BB-
Average Maturity	3.9
Average Yield	10.3
Modified Duration	3.0

Fund Details

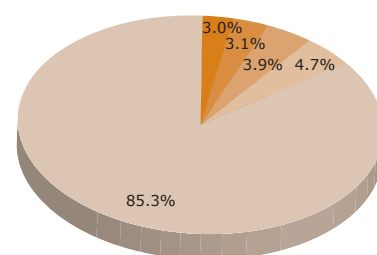
Fund Type	Open Ended
Domicile	Bahrain
Currency	USD
Regulator	Central Bank of Bahrain
Investment Manager	Mashreq Capital
Net Asset Value	Weekly

Performance (Chart)



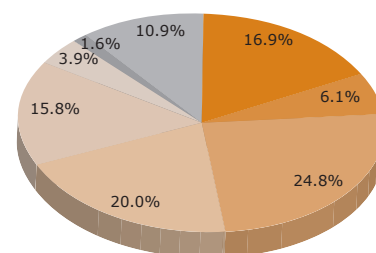
Regional Allocation

- Africa (3.0%)
- Asia (3.1%)
- Cash (3.9%)
- CIS (4.7%)
- MENA (85.3%)



Ratings Breakdown

- A+ to A- (16.9%)
- AAA to AA- (6.1%)
- B+ to B- (24.8%)
- BB+ to BB- (20.0%)
- BBB+ to BBB- (15.8%)
- Cash (3.9%)
- C+ (1.6%)
- Not rated (10.9%)



Subscription/ redemption	Weekly
Management Fee	0.75% p.a.
Auditor	Deloitte & Touche
Registrar	Key Point
Administrator & Custodian	HSBC
Bloomberg Ticker	MAKAINC BI
Zawya Code	MAKINCM.MF

Benchmark: HSBC/ NASDAQ Dubai Middle East Investment Grade Total Return Index, SI: Since Inception, MTD: Month to Date, YTD: Year to Date

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

Disclaimer: This note has been prepared solely for information purposes. It does not constitute an investment advice, solicitation, offer or personal recommendation by Mashreq Asset Management or any of its related parties to buy or sell any securities, product, service or investment or to engage in or refrain from engaging in any transaction, particularly, in any jurisdiction where such an offer or solicitation would be illegal. Certain assumptions may have been made in the analysis that resulted in any information and results/returns detailed therein. No representation is made that any returns/results indicated would be achieved or that all assumptions in achieving these returns/results have been considered. Past performance is not necessarily indicative of future results. Mashreq Asset Management does not warrant the accuracy of the information provided herein and views expressed in this note reflect personal views of the analyst(s) which does not take account of individual clients' objectives, financial situations or needs. Investors are required to undertake their own assessment and seek appropriate financial, legal, tax and regulatory advice to determine whether this investment is appropriate for them in light of their experience, objectives, financial resources and other relevant circumstances. Mashreq Asset Management, nor any of its related parties accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this memorandum and/or further communication in relation thereto. Mashreq Asset Management does not accept any obligation to correct or update the information or opinions in it; however, opinions expressed are subject to change without notice. This note is disseminated primarily electronically, and, in some cases, in printed form. The above terms are indicative and do not constitute solicitation or an offer to sell to the public. This document is not intended to identify, represent or notify the conclusive terms and conditions of any transaction, other material considerations and any possible risks, direct or indirect, that would be involved in undertaking such a transaction.