

## Fact Sheet for September 2008

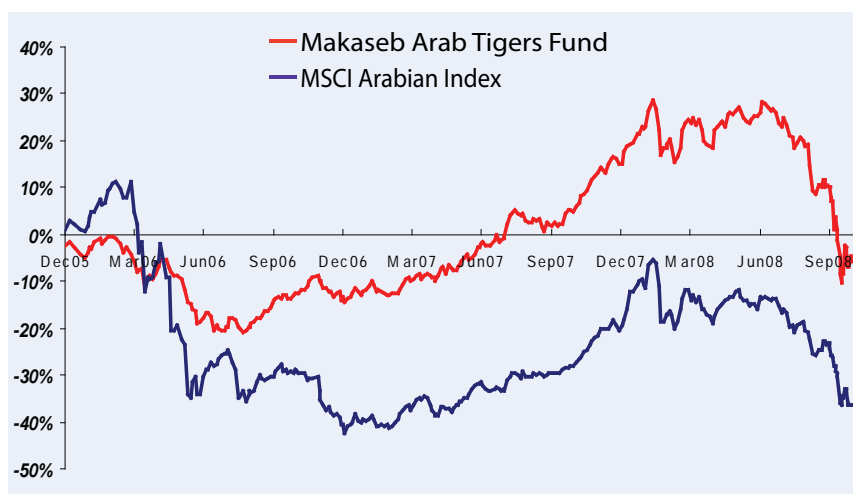
### Investment Objective

Makaseb Arab Tigers Fund (MATF) aims to achieve long term capital appreciation through investing mainly in shares of companies listed on the Stock Exchanges of the Middle East and North Africa region.

### Fund Information

Fund type	Open-End Fund
Domicile	Bahrain
Currency	US Dollar
Regulator	Central Bank of Bahrain
Net Asset Value	Each Business day
Investment Manager	Mashreqbank psc
Share Registrar	KeyPoint Consulting W.L.L., Bahrain
Administrator	Gulf Investment Corporation
Custodian	Gulf Investment Corporation
Auditor	Deloitte & Touche
Primary listing	Bahrain Stock Exchange
Subscription	Each Business day
Redemption	Each Business day
Management fee	2% p.a.

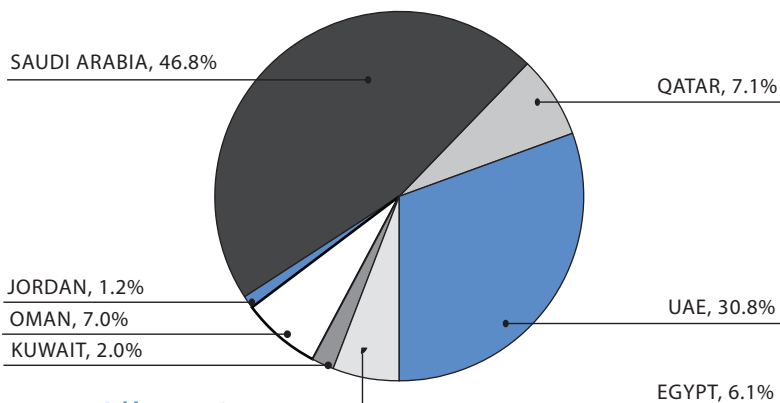
### Performance Chart since inception



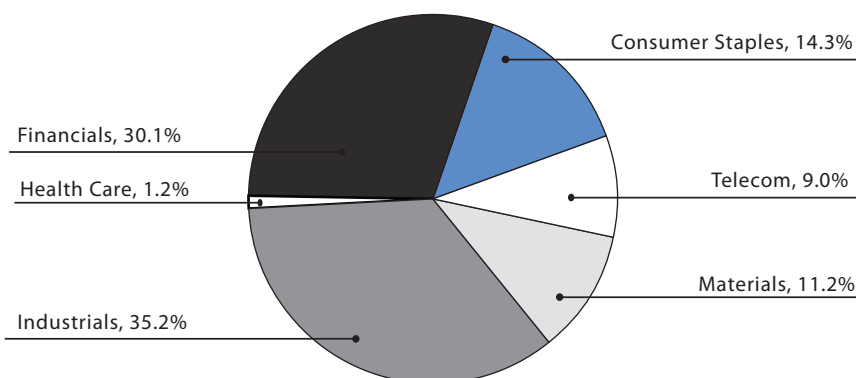
### Regional Allocation

### Performance Summary

	MATF	MSCI Arabian Index
NAV (September 29, 2008)	US\$9.42	
Since inception (Nov 22, 2005)	-5.1%	-36.5%
YTD-2008	-22.6%	-29.0%
September 2008	-14.4%	-16.5%
Year 2007	39.0%	48.2%
Year 2006	-8.1%	-40.7%
Year 2005	-3.8%	1.8%
No. of Holdings	29	142
Max. Monthly Gain	7.9%	12.7%
Max Monthly Loss	-9.9%	-15.5%
Beta	0.4	
R-Sq	35.3%	
Ann. SD	12.0%	19.8%
Sharp Ratio	-0.5	-0.9
Treynor Ratio	-0.5	
Information Ratio	1.9	



### Sector Allocation



## Fact Sheet for September 2008 Contd.

### Top 5 Holdings

Stock	Weight
Jarir Marketing Co	9.25
Almarai Co Ltd	9.18
Saudi Arabian Fertilizer Co	7.97
Lamprell Plc	5.81
Arabtec Holding CO	5.81

#### Fund Codes:

WKN: A0J3RQ

ISIN: BH000A0J3RQ8

BLOOMBERG CODE:MAKATFD BI

ZAWYA CODE: MAKARBT.MF

#### Investment Manager & Sponsor:

Mashreqbank psc, Al Ghurair City,

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### Fund Manager's Commentary

September was one of the worst months for capital markets around the world. The month saw global credit crisis graduating to global credibility crisis. The month saw a continuation of massive on-going de-leveraging that lead to collapse of some of the oldest and established institutions on the Wall Street.

Regional capital markets were not immune from this de-leveraging with all major stock markets in the region losing more than 10% during the month.

Region	Markets	Performance	
		Month to date	Year to date
GCC	Saudi Arabia	-14.8%	-32.4%
	Dubai	-13.3%	-30.4%
	Abu Dhabi	-10.3%	-13.1%
	Kuwait	-11.1%	2.2%
	Qatar	-10.8%	-2.8%
	Oman	-10.5%	-6.0%
	Bahrain	-8.5%	-10.6%
North Africa and Levant	Egypt	-16.5%	-33.1%
	Morocco	-11.1%	-1.9%
	Jordan	-6.9%	10.7%
	Tunisia	1.1%	28.6%

Source: Bloomberg, All share indices used in calculation where available.  
YTD=MTD: August 31 2008 - September 30 2008

Your fund was fully invested during the month and lost 14.4% - in line with the benchmark MSCI Arabian Market Index. Most of our losses were concentrated in the Banking, Retail and Oil & Gas services sector.

Performance Attribution	Allocation	Selection	Currency	Relative Performance
Retail	0.03%	0.73%	0.01%	0.77%
Oil & Gas	-1.18%	0.00%	-0.02%	-1.20%
Travel & Leisure	0.31%	0.00%	0.01%	0.32%
Food & Beverage	0.00%	0.63%	0.00%	0.63%
Construction & Materials	-0.13%	0.00%	-0.01%	-0.14%
Healthcare	0.06%	0.00%	0.00%	0.05%
Basic Resources	0.08%	0.00%	0.01%	0.09%
Insurance	0.03%	0.00%	0.00%	0.03%
Utilities	-0.03%	0.00%	0.00%	-0.04%
Technology	0.00%	0.00%	-0.01%	-0.01%
Telecommunications	-0.20%	0.14%	0.06%	-0.01%
Industrial Goods & Services	0.04%	0.00%	0.00%	0.04%
Chemicals	0.62%	0.13%	0.00%	0.75%
Financial Services	-0.33%	0.03%	-0.02%	-0.32%
Banks	-1.18%	0.15%	0.01%	-1.03%
Cash	0.07%	0.00%	-0.04%	0.03%
<b>Total</b>	<b>-1.83%</b>	<b>+1.83%</b>	<b>0.00%</b>	<b>0.00%</b>

Note: Period: August 31 2008 - September 30 2008

Panic level in the market is at an unprecedented level. Although regional economies are doing well and oil was still trading at north of \$90/bbl at the time of writing this fact sheet, investor sentiment is extremely bearish. All those companies which a few months ago were priced for growth are now trading close to their liquidation value with real estate companies and banks topping the list. In such a heightened state of frenzy, it is important that investors keep their calm.

Contd ....

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Disclaimer: Performance data quoted represents past performance: past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted.

## Fund Manager's Commentary Cont'd

Before delineating our strategy, we would like to discuss two general views – one widely held until a couple of months back and a contrarian view that is prevalent in the market these days. Early 2008, most investor held an almost utopian view about regional markets. Oil was gaining record highs, public sector spending was on the rise, private sector confidence indicators were nearing peak and credit was accessible and cheap. Today, most investors share what we will call an apocalyptic view of the world. A common theme of this view revolves around a collapse in the commodities market, real estate market and a hemorrhage of the financial system.

The reality, we believe, lie some somewhere in the middle. Regional economies are still doing well. With a thick cushion of reserves built up due to petrodollar windfall, it is highly unlikely that regional government would significantly cut down on government spending – especially the infrastructure related project – in the short to medium term. We believe domestic demand in some of the economies would continue to be strong and at current level are sustainable. We remain positive on companies that are plays on domestic demand.

Commodities are notorious for cyclicity and investors should not be surprised by heightened level of volatility in commodities market. Some commodities on the energy and industrial metals side may be overvalued but others especially on the agricultural side have strong demand and that demand is not going to dissipate in the near future. During the last 5 years a lot of financial institutions and money managers used commodities as an asset class. Alas, current cycle of de-leveraging is therefore going to be as painful for commodities as it has been for other asset classes. We remain positive on companies that are plays on agricultural commodities.

Real estate in Dubai and Doha is expensive and may very well be in bubble territory thanks to a double dose of cheap and accessible leverage. However, elsewhere in the region, there is little possibility of a sharp decline in real estate prices. Current market action has been particularly brutal on real estate developers and mortgage financiers. Mortgage finance as a business model is unsustainable and will eventually have to evolve into a bank with sustainable funding source. Real estate developers, on the other hand, are now a bargain. We believe markets have mis-judged risks borne by real estate developers and as result these stocks have been dealt with quite brutally. If (and in some cases when) real estate prices were to drop sharply, then mortgage financiers and banks stand to lose the most. Developers like Emaar Properties which have already sold bulk of their developments would suffer from earnings drop due to lower future sales but their balance sheet should largely remain unscathed. We have identified real estate developers which are trading at a discount to their historical book value; we believe these present excellent opportunities and long term investors would do well by capitalizing on these bargain purchases.

Financial system in the region is quite robust, with the exception of a few isolated pockets of distress; most of the financial system is well capitalized to survive both exogenous and endogenous shocks to the system. The regions financial system managed to survive stock market crash of 2006 and so far is faring well in the current stock market crash. A real estate crash would surely test credit worthiness and solvency of some of the banks in the region. Banks with loan portfolios concentrated in real estate, contracting and personal loans segment stand to lose the most. Also, banks which are highly leveraged would also be at risk and might require capital injection to remain in operations. During the last 4 years, markets were rewarding banks which were effectively running insolvent operations with loans to deposit ratios exceeding 100%. At that time, credit was cheap and easy and such adventures were incorrectly rewarded. With tight liquidity and difficult credit market, we remain underweight on the banking sector. However, we would be selectively invested in banks with fairly diversified loan book, low leverage and solvent operations.

Going forward, we expect volatility to increase further. Long term investors should not be concerned with mark to market losses, however, speculators and leveraged investors would be wiped out. We continue to remain positive on the region but expect further pressure on prices. These are extraordinary times, investors with patience and discipline stand to make extraordinary returns.

October 08, 2008

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