

Fact Sheet for December 2008

Investment Objective

Makaseb Emirates Opportunities Fund (MEOF) aims to achieve long term capital appreciation through investment primarily in shares listed on the UAE stock exchanges by using a dynamic asset allocation strategy. The MEOF portfolio is constructed after careful evaluation of market factors including liquidity and price action to determine the optimum market exposure. The monitoring and adjustment of market exposure is dynamic, in order to take into account changing market dynamics.

Fund Information

Fund type	Open-End Fund
Domicile	Bahrain
Currency	US Dollar
Regulator	Central Bank of Bahrain
Net Asset Value	Each Sunday and Wednesday
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 Monday and Thursday
Redemption	Each Monday and Thursday
Management fee	2% p.a.

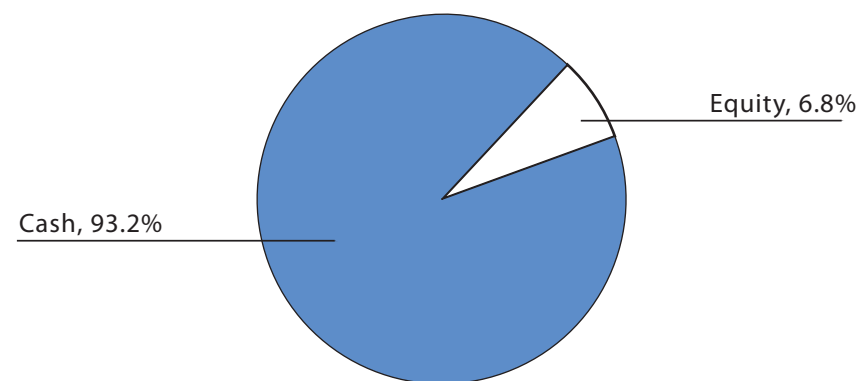
Performance Chart since inception



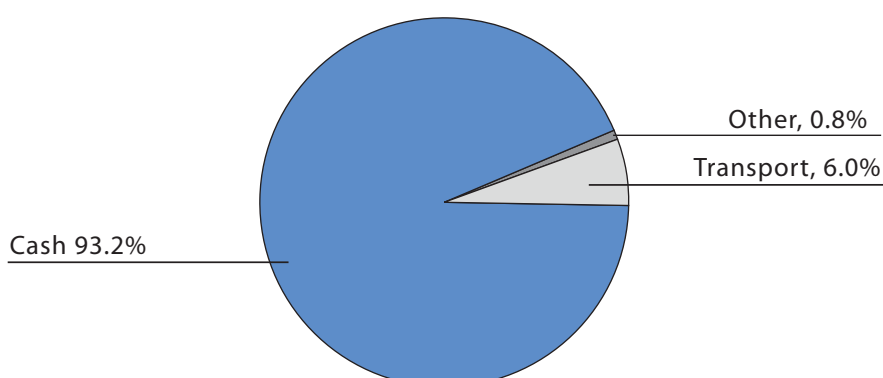
Performance Summary

	MEOF	MSCI UAE Index
NAV (December 31, 2008)	US\$ 2.78	
Since inception		
(Jun 26, 2005)	-72.2%	-76.4%
December 08	-1.2%	-16.7%
YTD-2008	-64.6%	-68.8%
Year 2007	55.3%	43.3%
Year 2006	-44.5%	-44.5%
Year 2005	-8.9%	-4.9%
No. of Holdings	2	21
Max. Monthly Gain	33.3%	26.2%
Max Monthly Loss	-39.3%	-28.3%
Beta	0.8	
R-Sq	46.4%	
Ann. SD (Weekly returns)	35.4%	32.1%
Sharp Ratio	-2.2	
Treynor Ratio	-1.0	
Information Ratio	0.11	

Asset Allocation



Sector Allocation



Top Holdings

Stock	Weight
Airarabia	6.02 %
Drake & Skull	0.76 %

Fund Codes:

WKN: AOJ3RP
 ISIN: BH000A0J3RPO
 BLOOMBERG CODE: MAKEOFD BI
 ZAWYA CODE: MAKEMRO.MF
 REUTERS ID : LP65038279

Investment Manager & Sponsor:
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Fund Manager's Commentary

Your Fund was down 1.2% last month, outperforming the benchmark by 15.5%. Nearly all the out performance came from our active asset allocation. Hence for the year the fund lost 64.6%, outperforming the MSCI UAE Domestic Index which lost 68.84%. Within UAE, Dubai fell 16.7% last month and Abu Dhabi lost 13.9%. For the year Dubai Financial Market is down 72.42% and Abu Dhabi Securities Market is down 47.49%.

Year 2008 was truly a humbling experience. It is difficult to find examples in financial history of such extreme contrast in the way 2008 started and ended. For roughly the first 6 months of the year, investors were chasing growth while trying to insulate their wealth from the ravages of inflation, in the second half of the year, investors were faced with a collapse in asset prices across all markets due to a global-scale deleveraging.

The year started with oil marking record highs every week, and if that were not enough to generate liquidity; we saw huge dollops of hot money flowing into the UAE banking system on expectation of currency revaluation. Surplus liquidity, generally positive sentiment, easily accessible leverage and declining interest rates lead to a super speculative bubble in the already hot real estate market. All this ended quite abruptly during the later part of the year when we saw unprecedented crash in asset prices. A collapse in oil prices abated speculation on currency revaluation, this coupled with global deleveraging lead to an outflow of hot money from UAE banking system. The immediate impact was a liquidity crunch most visible by a sudden spike in interbank borrowing rates. Needless to say, banks dependent on wholesale funding were severely impacted. The effect cascaded into various sectors with the most leveraged sectors getting most affected. Policy makers and market participants are still grappling with the reality of a \$50/bbl oil price and dearer and expensive credit.

In such a back drop, it is plausible to expect that macro-economic and corporate performance in 2009 would be in sharp contrast with hey days of 2008. Dissecting the investment universe in the UAE leaves us with 3 major groups of companies. Banking sector rues are in their initial stages. Banks have very recently started to see problems on the asset side of the balance sheet; earlier the crisis was limited to funding side only! A scenario of increasing delinquencies, contraction in balance sheet, increasing cost of funding and limited capital availability would certainly rein in sectors growth and profitability profile. Real Estate developers find themselves in a peculiar situation and the rapidity of the crisis has caught most of them unguarded. We expect real estate developers to experience sharp decline in sales and profitability until the credit system is restored and property buyers are able to get funding to purchase real estate.

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

The third group of companies which constitutes telecom operators appear to be least impacted. Unless there is mass exodus of expatriate workers from the UAE or a sudden liberalization of the telecom market, the sector is expected to come out of this crisis largely unscathed. The only silver lining in the above situation is that market has already incorporated these expectations in stock prices. Hence, we find a large number of financial institutions trading at a deep discount to their book value – some trade even at a handsome discount to their net cash position. Real estate sector is trading at significant discount to its fair value even after incorporating a severe downgrade in short – medium term earnings outlook. All in all, we believe the market has overshot itself on the downside. Stock markets historically have preceded the real economy and we see no reason why it should be different this time around. Although 2009 is expected to be marred with volatility, earnings downgrades and poor economic news, we also expect it to bring investors some relief. The fund plans to take opportunistic positions during the year while capitalizing on the above highlighted expectations. We wish our investors a happy and prosperous new year.

January 7, 2008

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