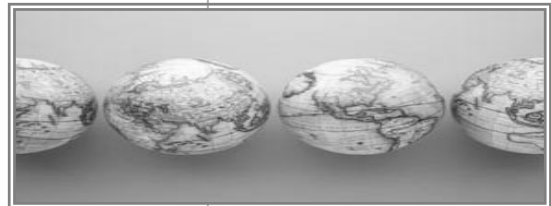


## Monthly Commentary



## March 2009

Mashreq Asset Management offers comprehensive investment solutions to meet your needs. For more information, please contact:

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[contact@makaseb.com](mailto:contact@makaseb.com)

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## Performance Data

MENA Equity Strategies/Benchmarks	Region	Total Return Net of Fees(%)				Annual Total Return(%)			
		Inception Date	March 2009	YTD 2009	YTD Value Added	2008	2007	2006	Since Inception
MEOF	UAE	6/26/05	7.1	9.7	3.8	-64.6	55.5	-44.5	-72.8
MSCI UAE Domestic*			12.7	5.8		-68.8	43.3	-44.5	-75.7
MEEF	UAE	2/8/05	8.1	12.6	10.9	-72.7	50.2	-42.3	-46.8
MSCI UAE Domestic*			6.6	1.7		-68.8	43.3	-44.5	-51.8
MATF	MENA	11/22/05	4.3	-4.2	7.2	-51.2	39.0	-8.1	-42.5
MSCI Arabian Index			7.5	-11.3		-55.0	48.2	-40.7	-64.3
MQEF	Qatar	6/21/05	9.2	-24.7	1.5	-28.3	47.1	-39.2	-53.3
MSCI Qatar			8.1	-26.2		-28.3	47.3	-42.6	-51.8

\* Performance difference is due to difference in last valuation date of the month for the Makaseb Emirates Equity Fund and the Makaseb Emirates Opportunities Fund.

Regional Indices	Country	Total Return(%)			Annual Total Return(%)			
		Peak Date	March 2009	YTD 2009	2008	2007	2006	Return since Peak
Saudi Tadawul Index	Saudi Arabia	2/25/06	7.3	-2.1	-56.5	39.1	-52.5	-77.2
MSCI Saudi Domestic Index			5.8	-6.6	-58.5	42.3	-52.3	
ADX General Index	Abu Dhabi	5/1/05	4.7	4.1	-47.5	51.7	-42.3	-60.1
MSCI UAE Domestic Index			9.1	3.9	-68.8	43.2	-44.5	
DFM General Index	Dubai	11/9/05	0.6	-4.1	-72.4	43.7	-44.4	-81.5
MSCI UAE Domestic Index			9.1	3.9	-68.8	43.2	-44.5	
Kuwait SE Index	Kuwait	6/24/08	4.7	-13.3	-38.0	24.7	-12.7	-56.9
MSCI Kuwait Domestic Index			11.4	-13.3	-47.1	27.1	-8.5	
Doha Stock Mkt Index	Qatar	9/20/05	10.1	-29.0	-28.1	34.3	-35.5	-62.1
MSCI Qatar Index			8.3	-30.2	-28.3	47.3	-42.6	
EGX 30 Index	Egypt	5/5/08	16.6	-8.8	-56.4	51.3	10.3	-64.9
MSCI Egypt Index			15.0	-10.7	-54.0	49.6	14.3	
Muscat Sec. Mkt Index	Oman	6/11/08	-4.6	-14.9	-39.8	61.9	14.5	-61.8
MSCI Oman Index			-3.6	-15.7	-47.0	51.4	-10.0	
Bahrain SE Index	Bahrain	6/15/08	1.2	-11.5	-34.5	24.2	1.0	-45.0
MSCI Bahrain Index			10.8	-27.9	-54.9	15.5	3.4	
Morocco CSE Index	Morocco	3/13/08	-5.2	-3.9	-10.5	25.9	57.4	-29.2
MXMA Index			-5.8	-3.8	-9.4	32.4	48.3	

Commodities	Total Return(%)			Annual Total Return(%)			
	Peak Date	March 2009	YTD 2009	2008	2007	2006	Return since Peak
Crude Oil	7/3/08	8.2	8.5	-53.5	57.2	0.02	-65.8
Gold	3/14/08	-2.0	4.7	5.8	31.0	23.2	-8.4

Performance data quoted represents past performance and is not predictive of future performance. Returns are shown after deduction of all fees. The returns assume reinvestment of dividends and other income.

Sovereign Ratings	Standard & Poor's	Moody's	Fitch	EIU
<b>Gulf Cooperative Council</b>				
Kingdom Saudi Arabia	AA-/Stable/A-1+	A1 Positive	AA-/Stable/F1+	BBB/Stable
United Arab Emirates	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+	A/Negative
Qatar	AA-/Stable/A-1+	Aa2/Stable	NR	A/Stable
Kuwait	AA-/Stable/A-1+	Aa2/Stable	AA/Stable/F1+	A/Stable
Bahrain	A/Stable/A-1	A2/Negative	A/Stable/F1	BBB/Stable
Oman	A/Stable/A-1	A2/Stable	NR	A/Stable
<b>Levant</b>				
Jordan	BB/Stable/B	Ba2/Stable	NR	B/Stable
Egypt	BB+/Stable/B	Ba1/Negative	BB+/Stable/B	BB/Stable
<b>North Africa</b>				
Morocco	BB+/Stable/B	Ba1/Stable	BBB-/Stable/F3	BB/Stable
Tunisia	BBB/Stable/A-3	Baa2/Stable	BBB/Stable/F2	BB/Stable

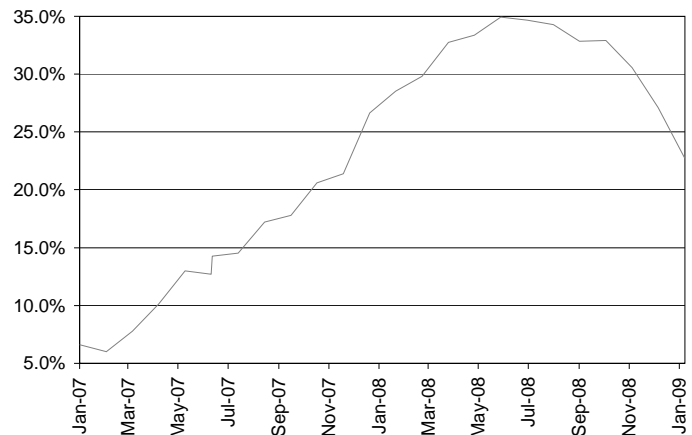
## Manager's Commentary

The UAE recovery from February spilled over into the rest of the region in March, with the worst performing market for the month being Dubai, up 0.6%. Markets however still remain mostly in the red for the year, with the exception of Abu Dhabi, which is now up 4.1% for the year. Interestingly, the correlation between Saudi Arabia and US markets remained intact; Tadawul rose 7.3%, while the S&P was up 7.1%. Last month, Saudi was down 8.8%, while the S&P dropped 11%. US equity markets have been quite volatile recently, despite the rapid bounce off multi year lows last month. Given the recent impact US returns have had on Saudi, regional markets may end up being fairly volatile as well.

Closer to home, Qatar announced its fourth quarter GDP (2008). The number itself is stunning on several counts; annual GDP was up 44% over 2007, while GDP for the quarter was down 23.2% sequentially without seasonal adjustments. The decline was led by a 31% sequential contraction in the mining and quarrying sector, which is dominated by the energy sector. Since Qatar is the only Gulf Cooperation Council (GCC) country which reports quarterly GDP figures, we can only estimate the carnage in the remaining members-it is a safe bet that annual comparisons for 2009 will show widespread contraction, as opposed to the general consensus of a rapid slowdown in growth. Without doubt, regional GDP will contract, and will contract significantly.

In line with the current environment, there is plenty of evidence suggesting a marked slowdown (contraction?) in economic activity. In Saudi Arabia for instance, private sector credit expansion has dropped to 23% yoy in January this year from a peak of 35% in June of last year; sequentially, private sector credit has been contracting since December. This trend clearly highlights the challenges that Banks and similar companies will face in 2009 and possibly 2010, as balance sheets contract and asset quality moderates. Earnings performance as a consequence will be weak, and will possibly keep valuations depressed and price performance in check.

All data points currently only serve to confirm the obvious fact that the region is slowing down and economic activity is contracting. Extending the analysis to individual businesses, earnings disappointment across the board are almost guaranteed. All significant sectors in the region namely energy, financials, real estate, and telecoms are likely to report negative earnings growth. On a relative basis, telecom companies perhaps will fare the best, although the ongoing contraction in the expatriate work force in the region is not going to help. Depending on investor expectations for various sectors, there is scope for market weakness on the back of negative news, though the severe draw down last year



*Private Sector Credit Percentage Change*

suggests that a bulk of this has already been discounted. At the very least, market volatility is assured.

There is still no concrete evidence which would help in accurately estimating the extent of the reduction in the expatriate work force in the region. Some analysts are now predicting up to a 17% contraction in certain areas (Dubai). The view here is that the extent of the contraction is irrelevant, the mere fact of a complete reversal of hitherto rapid population expansion will hurt local economies, some more so than others. In markets like Dubai, the dominant sectors of real estate, tourism, and financial services are under stress and are shedding jobs. Clearly the local economy will suffer as a result and the outlook for sectors like tourism and real estate remains exceedingly bleak from an earnings perspective. Signs of this weakness are emerging already, as evidenced by a deterioration in the asset quality of some banks reporting details for 2008.

A somewhat similar situation prevails in some other markets, for example Kuwait. Slowly but surely the extent of the troubles in Kuwait's financial services sector is becoming evident, with the Investment Companies in duress. The parliament in Kuwait has become a victim of this gathering storm, with its dismissal paving the way for the passing of the stimulus package being sought by various participants in the economy.

On a positive note, bond issuance has picked up in the region. Both Abu Dhabi and Qatar are looking to tap credit markets with new sovereign issues, and the successful completion of these will help in returning some normalcy to the regions credit markets. Also success in completing the issues will indicate a gradual availability of credit, which under normal circumstances is essential for the functioning of any economy. In the UAE, the interbank market has settled down somewhat, with EIBOR declining

and the aggressive pricing of liabilities by banks tapering off. We do not expect this to translate into rapid credit growth however, but any signs of stability for the financial system are very positive.

Overall, the outlook for capital markets remains clouded in the short term. Although it does appear as if the bulk of the negative environment has been discounted, there is still a risk that investors are perhaps underestimating the extent and duration of the slowdown. Results announcements for the first quarter will be extremely interesting, and will provide some flavor of things to come.

On a longer term horizon, some businesses are being unfairly penalized due to the prevailing sentiment, and offer good value for patient long term investors. In the interim, the best opportunities are likely to arise from investor skittishness in response to negative news flow.

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**Makaseb Arab Tigers Fund (NAV as at 31 March 09 - USD 5.7455)**
**Inception Date: 11/22/05; Benchmark: MSCI Arabian Market Index**
**Performance**

	Total Return(%)		Total Return(%)			Since Inception
	Mar 2009	YTD 2009	One Year	Two Year	Three Year	
<b>MATF</b>	<b>4.3</b>	<b>-4.2</b>	<b>-51.8</b>	<b>-36.6</b>	<b>-37.8</b>	<b>-42.5</b>
<b>MXARM</b>	7.5	-11.3	-56.0	-42.3	-62.1	-64.3

**Annual Return(%)**

	2005	2006	2007	2008
<b>MATF</b>	<b>-3.8</b>	<b>-8.1</b>	<b>39.0</b>	<b>-51.2</b>
<b>MXARM</b>	1.8	-40.7	48.2	-55.0

**Risk/Return Profile Since Inception**

	Fund	Benchmark
<b>Excess Return</b>	21.7%	
<b>Beta</b>	0.47	
<b>Sharpe Ratio</b>	-1.2	-1.3
<b>Skewness</b>	-0.8	-1.5
<b>Kurtosis</b>	7.7	7.7
<b>Std. Deviation</b>	16.3%	23.0%

**Risk/Return & Tracking vs Benchmark**

<b>R-Square</b>	37.1%
<b>Information Ratio</b>	1.2
<b>Treynor Ratio</b>	-0.4
<b>Tracking Error</b>	17.9
<b>Correlation</b>	0.6

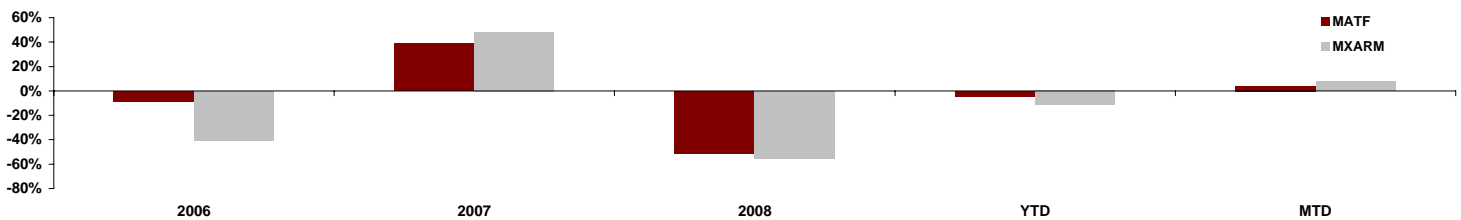
**Characteristics**

	Fund
<b>Div Yield- 1Yr</b>	6.2%
<b>P/B</b>	3.1
<b>P/E</b>	11.7
<b>ROE</b>	27.7%

**Regional Weights(%)**

	Fund	Benchmark
<b>UAE</b>	11.8	7.2
<b>Saudi Arabia</b>	61.3	47.3
<b>Qatar</b>	8.3	5.2
<b>Egypt</b>	7.7	7.5
<b>Oman</b>	2.4	2.5
<b>Jordan</b>	1.4	2.6
<b>Bahrain</b>	-	1.1
<b>Kuwait</b>	-	17.4
<b>Lebanon</b>	-	1.8
<b>Morocco</b>	-	6.9
<b>Tunisia</b>	-	0.5
<b>Cash</b>	7.1	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Bloomberg, Mashreq

**Performance Chart**

**Fund Strategy**

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.

- The Fund gained 4.3% during the month whereas the benchmark MSCI Arabian markets Index gained 7.5% during the same period.
- Sector selection hurt relative performance during the month. Our underweight position in Financials and Materials, however, overweight in Transportation, Utilities and Commercial Services & Supplies helped cushion the blow
- Stock selection had a net favorable impact due to our overweight in Air Arabia, Jarir Marketing and Qatar Electricity & Water Supply while underweight in Saudi Basic Industries had a negative impact on portfolio return.

**Fund Codes:**

WKN: AOJ3RQ  
 ISIN: BH000AOJ3RQ8  
 Bloomberg Code: MAKATFD BI  
 Zawya Code: MAKARBT.MF  
 Reuters ID: LP65038280  
 Lipper ID: 65038280

**Makaseb Qatar Equity Fund (NAV as at 29 March 09 - USD 4.6918)**
**Inception Date: 06/21/05; Benchmark: MSCI Qatar Index**
**Performance**

	Total Return(%)		One Year	Two Year	Total Return(%)	
	March 2009	YTD 2009			Three Year	Since Inception
MQEF	9.2	-24.7	-47.4	-13.8	-40.1	-53.3
MXQA	8.1	-26.2	-45.8	-13.3	-42.5	-51.8

**Top Holdings(%)**

Qatar National Bank	23.0
Commercial Bank Of Qatar	15.0
Qatar Telecom Q.S.C.	14.3
Qatar Electric & Water	12.0
Qatar Industries	10.7

	Annual Return(%)			
	2005	2006	2007	2008
MQEF	-3.3	-39.2	47.1	-28.3
MXQA	7.7	-42.6	47.3	-28.3

**Risk/Return Profile Since Inception**

	Fund	Benchmark
Excess Return	-1.5%	
Beta	0.9	
Sharpe Ratio	-1.9	-1.8
Skewness	-0.2	-0.5
Kurtosis	3.1	3.5
Std. Deviation	31.1%	31.2%

**Risk/Return & Tracking**

	vs Benchmark
R-Square	85.0%
Information Ratio	-0.1
Treynor Ratio	-0.6
Tracking Error	12.5%
Correlation	0.9

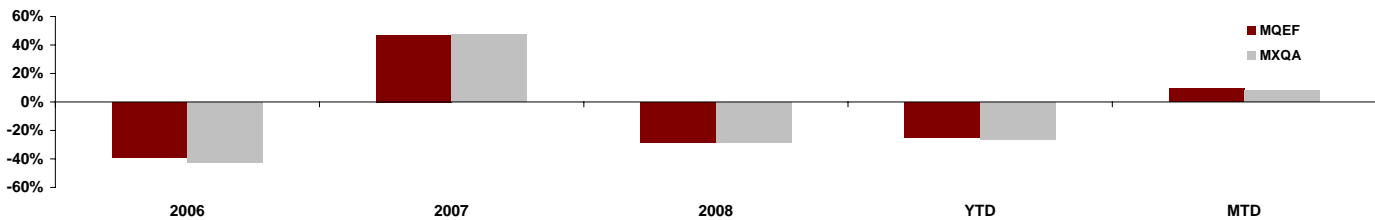
**Sector Weights(%)**

Sector	Fund	Benchmark
Banks	53.9	64.8
Capital Goods	10.7	10.2
Energy	6.2	9.4
Insurance	0.0	2.4
Real Estate	3.7	2.9
Telecom	14.3	5.9
Utilities	12.0	4.4
Cash	-0.7	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Characteristics**

	Fund	Fund
Div Yield- 1Yr	12.5%	11.1
P/B	2.08	24.9%
P/E		
ROE		

Source: Bloomberg, Mashreq

**Performance Chart**

**Fund Strategy**

Makaseb Qatar Equity Fund (MQEF) aims to achieve long term capital appreciation through investment primarily in shares listed on the Doha Stock Market. The MQEF portfolio is constructed after careful evaluation of various factors including the liquidity of the stock, company fundamentals, profitability, and overall portfolio risk considerations.

- The fund gained 9.2% during the month outperforming MSCI Qatar Index by 1%
- Security selection in banking coupled with the overweight in telecommunications has contributed most of the outperformance. However the overweight in utilities and our security selection in real estate did not help the fund's performance.

**Fund Codes:**

WKN: A0J3RN  
 ISIN: BH000A0J3RN5  
 Bloomberg Code: MAKQEFD BI  
 Zawya Code: MAKQTRE.MF  
 Reuters ID: LP65038278  
 Lipper ID: 65038278



**Makaseb Emirates Equity Fund (NAV as at 31 March 09 - USD 5.3184)**
**Inception Date: 02/08/05; Benchmark: MSCI UAE Domestic Index**
**Performance**

	Total Return(%)		Total Returns(%)			
	March 2009	YTD 2009	One Year	Two Year	Three Year	Since Inception
MEEF	8.1	12.6	-66.2	-52.1	-59.5	-46.8
MXAED	6.6	1.7	-65.3	-51.9	-63.5	-51.6

	Annual Total Return(%)			
	2005	2006	2007	2008
MEEF	99.9	-42.3	50.2	-72.7
MXAED	92.1	-44.5	43.3	-68.8

**Top Holdings(%)**

Emirates Telecom	20.58
Emaar Properties PJSC	10.4
Abu Dhabi National Energy Co	9.94
Dubai Financial Market	8.54
Dana Gas	8.12

**Risk/Return Profile Since Inception**

	Fund	Benchmark
Excess Return	4.8%	
Beta	0.9	
Sharpe Ratio	-1.5	-1.7
Skewness	0.3	0.2
Kurtosis	3.3	3.6
Std. Deviation	34.6%	33.5%

**Risk/Return & Tracking**

	vs Benchmark
R-Square	76.7%
Information Ratio	0.3
Treynor Ratio	-0.6
Tracking Error	17.1%
Correlation	0.9

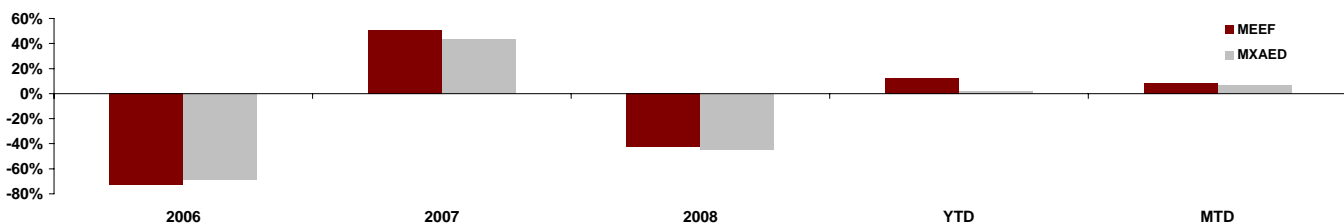
**Sector Weights(%)**

Sector	Fund	Benchmark
Banks	9.7	20.8
Capital Goods	4.0	0.0
Diversified Financials	8.5	10.3
Energy	8.1	2.5
Materials	0.0	3.2
Real Estate	24.0	21.7
Telecom	20.6	31.8
Transportation	7.1	6.3
Utilities	9.9	3.5
Cash	8.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Characteristics**

	Fund	Fund
Div Yield- 1Yr	4.3%	6.07
P/B	1.09	13.9%
P/E		
ROE		

Source: Bloomberg, Mashreq

**Performance Chart**

**Fund Strategy**

Makaseb Emirates Equity Fund (MEEF) aims to achieve long term capital appreciation through investment primarily in shares listed on the UAE stock exchanges. The MEEF portfolio is constructed after careful evaluation of various factors including the liquidity of the stock, company fundamentals, profitability, and overall portfolio risk considerations.

- The fund gained 8.1% during the month outperforming MSCI UAE Index by 1.5%
- Asset allocation added to performance during the month
- Our overweight in utilities and under weight in materials generated alpha. On the negative side our underweight in diversified financials and telecommunications detracted from performance.

**Fund Codes:**

WKN: AOJ3RM  
 ISIN: BH000AOJ3RM7  
 Bloomberg Code: MAKEEFD BI  
 Zawya Code: MAKEMRE.MF  
 Reuters ID: LP65038277  
 Lipper ID: 65038277



**Makaseb Emirates Opportunities Fund (NAV as at 29 March 09 - USD 3.0464)**
**Inception Date: 06/26/05; Benchmark: MSCI UAE Domestic Index**
**Performance**

	Total Return(%)		Total Return (%)			
	March 2009	YTD 2009	One Year	Two Year	Three Year	Since Inception
MEOF	7.1	9.7	-60.1%	-31.4%	-62.6%	-72.8%
MXAED	12.7	5.8	-61.9%	-46.9%	-68.7%	-75.7%

	Annual Total Return (%)			
	2005	2006	2007	2008
MEOF	-8.9	-44.5	55.5	-64.6
MXAED	-4.9	-44.5	43.2	-68.8

**Top Holdings(%)**

Dubai Financial Market	44.98
Air Arabia	10.15
Nakheel Dev	8.39
Islamic Arab Insurance	7.76
Union Properties Company	1.81

**Risk/Return Profile Since Inception**

	Fund	Benchmark
Excess Return	5.5%	
Beta	0.7	
Sharpe Ratio	-1.5	-1.7
Skewness	-0.9	-0.9
Kurtosis	12.3	5.0
Std. Deviation	51.1%	46.2%

**Risk/Return & Tracking**

	vs Benchmark
R-Square	42.8%
Information Ratio	0.2
Treynor Ratio	-1.1
Tracking Error	31.7%
Correlation	0.7

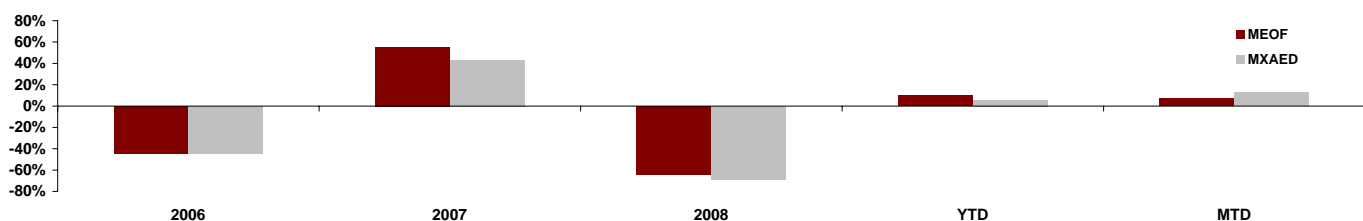
**Sector Weights(%)**

Sector	Fund	Benchmark
Banks	0.0	20.8
Insurance	7.8	0.0
Diversified Financials	45.0	10.3
Energy	0.0	2.5
Materials	0.0	3.2
Real Estate	1.8	21.7
Telecom	0.0	31.8
Transportation	10.2	6.3
Utilities	0.0	3.5
Other	8.4	0.0
Cash	26.9	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Characteristics**

	Fund	Fund	
Div Yield- 1Yr	1.6%	14.39	
P/B	1.15	P/E	6.3%
		ROE	

Source: Bloomberg, Mashreq

**Performance Chart**

**Fund Strategy**

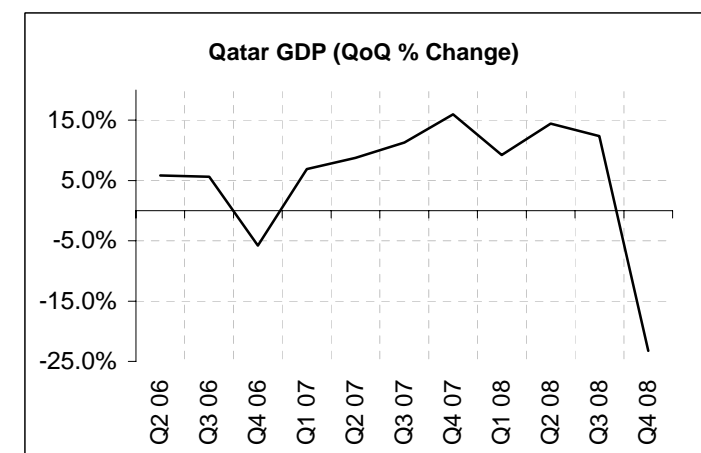
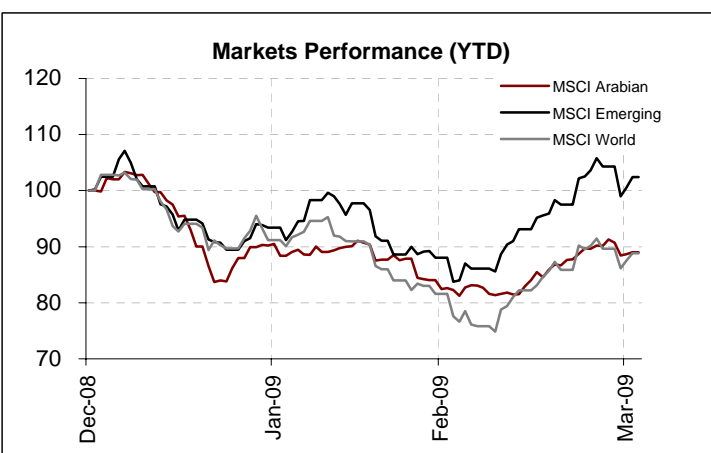
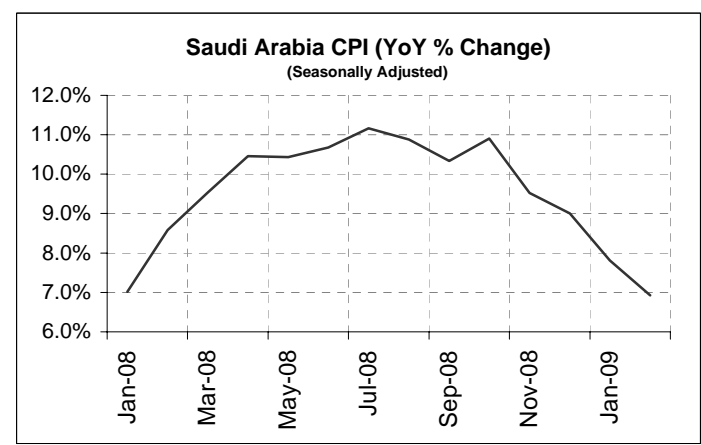
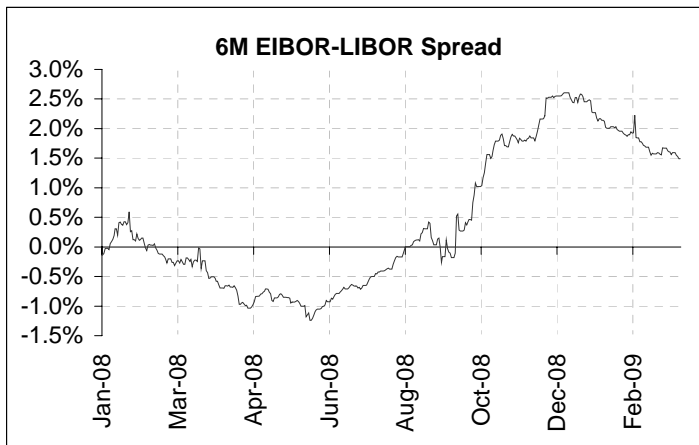
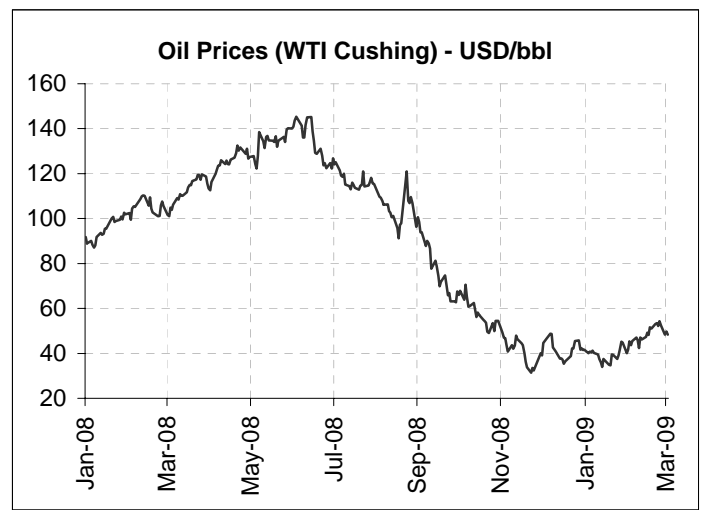
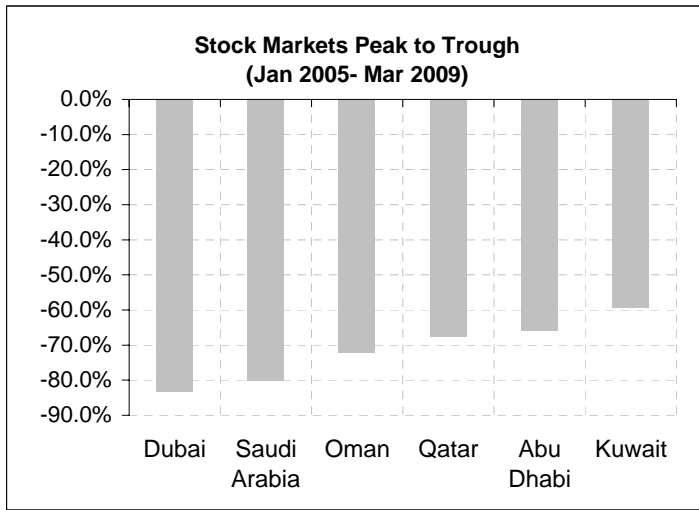
Makaseb Emirates Opportunities Fund (MEOF) aims to achieve long term capital appreciation through investment primarily in shares listed on the UAE stock exchanges by using a dynamic asset allocation strategy. The MEOF portfolio is constructed after careful evaluation of market factors including liquidity 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.

- The Makaseb Emirates Opportunities Fund gained 7.1% during the month underperforming the benchmark MXAED Index by 5.6%. DFM gained 2.34% during the month while ADX gained 8.84%
- Most of the fund's performance came from our overweight in Transportation and Diversified Financials.
- Our asset allocation call of overweighting cash and lack of exposure to Telecommunication Services during the month lead to underperformance vis a vis the benchmark.

**Fund Codes:**

WKN: A0J3RP  
 ISIN: BH000A0J3RPO  
 Bloomberg Code: MAKEOFD BI  
 Zawya Code: MAKEMRD.MF  
 Reuters ID: LP65038279  
 Lipper ID: 65038279

## Key Economic Themes in pictures



Source: Bloomberg, Mashreq, Central Bank Websites

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