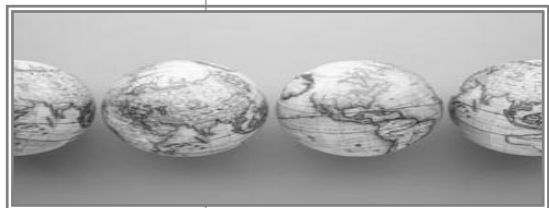


## Monthly Commentary



## September 2009

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

[www.makaseb.com](http://www.makaseb.com)  
[contact@makaseb.com](mailto:contact@makaseb.com)

### Contents

Performance Data  
Manager's Commentary  
Strategy Performance Details  
MENA in pictures

# Manager's Commentary

## The Long and Short of It

The last five years (including 2009) have been a touch lively for investors in the MENA region. Basically, every year has delivered a return of roughly 50%, alternating between the positive and the negative. Given trouble focusing on the long term to begin with, the annual gyrations have made it even more difficult. More often than not, investors have suffered from the after effects of either a meteoric rise or a sharp free fall to end up doing the exact opposite of what long term prudence would have dictated. In the spirit of shedding some light on long term prospects from this point on, understanding past performance is a pre requisite. This is so because only long term performance can be forecasted with reasonable certainty; short term performance is random and cannot be predicted (and hence any benefits derived from it are due to pure luck). Hence if the variables determining long term returns are understood by help of actual returns, investors can form better informed decisions about their future investments.

A strange, but common comment on emerging markets, and the region's markets (mostly by regional investors) is that fundamentals do not matter here. This of course raises that question as to what exactly does, but no matter. The historic performance of these markets clearly indicates that not only do fundamental principles of buying cheap and selling dear matter, but also explain almost all of the differences between markets and time periods. A simple table of annualized 5 year returns for the region's markets is eye opening.

Saudi Arabia	0.1%
UAE	4.5%
Abu Dhabi	6.5%
Dubai	4.1%
Kuwait	5.7%
Qatar	6.3%
Bahrain	-1.6%
Oman	14.4%
Egypt	25.1%

The best performing market in the GCC was Oman, which returned 14.4% per annum. The biggest market, Saudi Arabia posted a return of less than 7 basis points a year. Saudi Arabia, UAE, Kuwait, Qatar, and Bahrain all basically struggled quite badly to outperform a simple long term deposit over the same period; and as is common in periods of low returns, volatility remained high. Leaving aside Kuwait (where restrictive price movement limits dampen volatility artificially) and Bahrain (where illiquidity keeps volatility low) the lowest volatility (annual) is 24% in Oman, incidentally the best performing market over the period. Saudi Arabia tops this sorry list with annualized volatility (of weekly returns) of

35.7%, as expected (since it was also the worst performing market over the period). Good luck with high risk, high return.

As observed here in earlier comments, the starting point of valuations for any investment is the biggest determinant of performance. When over valuation gets extreme enough, returns remain low for an extended period of time. A five year period is comfortably longer than the average initial holding period for the overwhelming majority of investors in the region. Moving to an even shorter time frame for regional markets produces an even uglier picture.

	3 Year Returns	Std Dev
Oman	2.0%	27.9%
Egypt	1.0%	33.4%
Qatar	0.1%	35.6%
Abu Dhabi	-0.9%	27.4%
Kuwait	-2.4%	17.9%
Bahrain	-3.3%	12.7%
UAE	-4.0%	27.1%
Saudi Arabia	-5.8%	35.8%
Dubai	-7.2%	33.6%

The above 3 year and 5 year returns highlight another very important point; correlations between short term (5 years is quite short term for equities as an asset class, given the average duration of 25 that equities have) returns and variables like GDP growth and their significant drivers. In the case of MENA, clearly the price of oil dominates all else; over the last 5 years oil prices have risen by 6.6% per annum, comfortably ahead of equity returns in Saudi Arabia and Kuwait, two of the largest exporters of crude in the world. Coming to actual GDP growth, Qatar, with one of the highest growth rates over the 5 year period, has equity returns well below the simple growth in GDP. Simply, valuations matter.

The importance of valuations as a starting point is simple to understand. Equity prices are simply what investors are willing to pay for the present value of a very long stream of cash flows. The volatility in these long term cash flows is remarkably low, with very stable long term growth. Hence this present value does not change very much, more so for markets as a whole. It follows that the wild gyrations in prices then represent investor willingness to pay more or less for these cash flows rather than any actual change in them. The closer the price paid to the actual present value of these cash flows, the lower the long term returns for investors.

The relevance of the above discussion today is to explain the importance of valuations as a starting point. It is true that markets in the region (and the rest of the world) have made a stunning recovery from their lows, but that in itself does not mean anything for long term returns from this point on. What does matter is where valuations are, and clearly the

underlying assumptions for these valuations. In the developed world led by the US, valuations are on the high side now even assuming a return to the record profit margins of the recent past. Hence long term return prospects for the US market and most other developed markets in the west are quite modest at present, if not downright poor. On the other hand, for emerging markets including MENA, valuations are not yet stretched, though well above where they were earlier this year. Hence investors who got in earlier will enjoy higher long

term returns. However there are still some crumbs left on the table yet for late comers to the party; any significant weakness in regional markets represents a great buying opportunity for the true long term investor. We will continue the discussion on long term returns in the region next month.

Ibrahim Masood

[IbrahimMa@Mashreqbank.com](mailto:IbrahimMa@Mashreqbank.com)

## Performance Data

MENA Equity Strategies/Benchmarks	Region	Inception Date	Total Return Net of Fees(%)			Annual Total Return(%)			
			September 2009	YTD 2009	YTD Value Added	2008	2007	2006	Since Inception
MEOF	UAE	6/26/05	15.5	70.6	17.0	-64.6	55.5	-44.5	-52.6
MSCI UAE Domestic*			12.5	53.6		-68.8	43.3	-44.5	-63.2
MEEF	UAE	2/8/05	13.4	47.5	-6.1	-72.7	50.2	-42.3	-30.3
MSCI UAE Domestic*			12.6	53.6		-68.8	43.3	-44.5	-26.9
MATF	MENA	11/22/05	6.1	25.8	-0.5	-51.2	39.0	-8.1	-24.4
MSCI Arabian Index			5.3	26.3		-55.0	48.2	-40.7	-49.2
MQEF	Qatar	6/21/05	3.4	12.0	6.3	-28.3	47.1	-39.2	-30.5
MSCI Qatar			4.1	5.7		-28.3	47.3	-42.6	-31.0
MIF	MENA	3/29/06	6.2	11.2	-10.1	-21.7	3.2	2.2	-9.5
MEIGTR			4.2	21.3		-14.9	3.6	5.7	11.5
Mashreq ATF	MENA	8/26/08	1.7	14.5	-11.8	1.0			15.6
MSCI Arabian Index			5.3	26.3		-47.7			-33.9

\* 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	Peak Date	Total Return(%)			Annual Total Return(%)			
			September 2009	YTD 2009		2008	2007	2006	Return since Peak
Saudi Tadawul Index	Saudi Arabia	2/25/06	11.7	31.6		-56.5	39.1	-52.5	-69.4
MSCI Saudi Domestic Index			10.2	34.8		-58.5	42.3	-52.3	
ADX General Index	Abu Dhabi	5/1/05	7.8	30.7		-47.5	51.7	-42.3	-49.9
MSCI UAE Domestic Index			12.6	53.6		-68.8	43.2	-44.5	
DFM General Index	Dubai	11/9/05	14.5	33.9		-72.4	43.7	-44.4	-74.2
MSCI UAE Domestic Index			12.6	53.6		-68.8	43.2	-44.5	
Kuwait SE Index	Kuwait	6/24/08	-1.2	0.4		-38.0	24.7	-12.7	-50.1
MSCI Kuwait Domestic Index			-3.0	17.0		-47.1	27.1	-8.5	
Doha Stock Mkt Index	Qatar	9/20/05	4.2	7.7		-28.1	34.3	-35.5	-42.5
MSCI Qatar Index			3.2	5.7		-28.3	47.3	-42.6	
EGX 30 Index	Egypt	5/5/08	0.5	47.1		-56.4	51.3	10.3	-43.4
MSCI Egypt Index			0.8	41.5		-54.0	49.6	14.3	
Muscat Sec. Mkt Index	Oman	6/11/08	3.6	20.8		-39.8	61.9	14.5	-45.7
MSCI Oman Index			2.7	23.9		-47.0	51.4	-10.0	
Bahrain SE Index	Bahrain	6/15/08	2.5	-13.8		-34.5	24.2	1.0	-46.5
MSCI Bahrain Index			0.6	-25.7		-54.9	15.5	3.4	
Morocco CSE Index	Morocco	3/13/08	-2.1	-3.3		-10.5	25.9	57.4	-27.7
MXMA Index			-2.6	-5.1		-9.4	32.4	48.3	

Commodities	Peak Date	Total Return(%)			Annual Total Return(%)			
		September 2009	YTD 2009		2008	2007	2006	Return since Peak
Crude Oil	7/3/08	0.9	58.3		-53.5	57.2	0.02	-51.4
Gold	3/14/08	5.9	14.2		5.8	31.0	23.2	-0.9

Performance data quoted represents past performance and is not predictive of future performance. Return shown after deduction of all fees & 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+	Aa3/Positive	AA-/Stable/F1+	BBB/Stable
United Arab Emirates	NR	Aa2/Stable	NR	BB/Stable
Qatar	AA-/Stable/A-1+	Aa2/Stable	NR	A/Stable
Kuwait	AA-/Stable/A-1+	Aa2/Negative	AA/Stable/F1+	A/Stable
Bahrain	A/Stable/A-1	Aa3/Negative	A/Stable/F1	BBB/Stable
Oman	A/Stable/A-1	Aa3/Stable	NR	A/Stable
<b>Levant</b>				
Jordan	BB/Stable/B	Baa3/Stable	NR	CCC/Stable
Egypt	BB+/Stable/B	Baa2/Stable	BB+/Stable/B	BB/Stable
<b>North Africa</b>				
Morocco	BB+/Stable/B	Baa2/Stable	BBB-/Stable/F3	BB/Stable
Tunisia	BBB/Stable/A-3	A3/Stable	BBB/Stable/F2	BB/Stable

**Makaseb Arab Tigers Fund (NAV as at 30 September 09 - USD 7.54507)**
**Inception Date: 11/22/05; Benchmark: MSCI Arabian Market Index**
**Performance**

	Total Return(%)		One Year	Total Return(%)			Since Inception
	September 2009	YTD 2009		Two Year	Three Year		
<b>MATF</b>	<b>6.1</b>	<b>25.8</b>	<b>-19.8</b>	<b>-28.0</b>	<b>-13.8</b>	<b>-24.4</b>	
MXARM	5.3	26.3	-19.8	-29.6	-28.4	-49.2	

	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>
MXARM	1.8	-40.7	48.2	-55.0

**Top Holdings(%)**

Almarai Co.	9.7
Jarir Marketing Co.	8.4
Emirates Telecom Corporation	6.8
Orascom Development Holding	5.3
Al Hokair	5.3


**Risk/Return Profile Since Inception**

	Fund	Benchmark
<b>Excess Return</b>	24.6%	
<b>Beta</b>	0.49	
<b>Sharpe Ratio</b>	-0.7	-0.9
<b>Skewness</b>	-0.8	-1.6
<b>Kurtosis</b>	8.6	8.9
<b>Std. Deviation</b>	16.3%	22.8%

**Risk/Return & Tracking**

	vs Benchmark
<b>R-Square</b>	39.8%
<b>Information Ratio</b>	1.3
<b>Treynor Ratio</b>	-0.2
<b>Tracking Error</b>	18.4%
<b>Correlation</b>	0.6

**Sector Weights(%)**

Sector	Fund	Benchmark
Banks	4.75	33.38
Consumer Services	5.28	0.27
Materials	3.66	23.36
Transportation	2.73	2.79
Real Estate	3.7	7.54
Food Beverage & Tobacc	14.85	1.99
Capital Goods	3.25	5.39
Diversified Financials	4.23	3.92
Telecommunication	12.64	16.65
Energy	3.56	3.17
Utilities	3.42	1.44
Insurance	2.61	0.15
Commercial &	8.43	0.00
Pharmaceuticals, Biotech	1.56	0.00
Retailing	5.26	0.00
Others	0	0.00
Cash	20.07	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

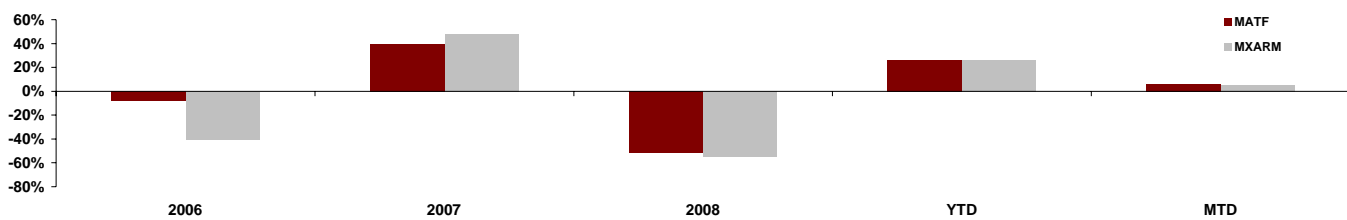
**Characteristics**

	Fund
<b>Div Yield</b>	2.9%
<b>P/B</b>	3.1
<b>P/E-1 yr</b>	18.1
<b>ROE</b>	22.9%

**Regional Weights(%)**

	Fund	Benchmark
<b>UAE</b>	15.69	8.77
<b>Saudi Arabia</b>	45.21	45.97
<b>Qatar</b>	7.96	5.76
<b>Egypt</b>	9.51	8.30
<b>Oman</b>	0	2.16
<b>Jordan</b>	1.56	1.47
<b>Bahrain</b>	0	7.10
<b>Kuwait</b>	0	14.00
<b>Lebanon</b>	0	1.66
<b>Morocco</b>	0	4.47
<b>Tunisia</b>	0	0.33
<b>Cash</b>	20.07	0.00
<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 primarily in shares of listed companies on the Stock Exchanges of Middle East and North Africa region

- The Fund returned 6.1% during the month against 5.3% of the benchmark MSCI Arabian Markets Index
- Bulk of the outperformance is explained through stock selection & exposure to telecommunications & retail which helped in generating alpha

**Fund Codes:**

WKN: A0J3RQ  
 ISIN: BH000A0J3RQ8  
 Bloomberg Code: MAKATFD BI  
 Zawya Code: MAKARBT.MF  
 Reuters ID: LP65038280  
 Lipper ID: 65038280

**Makaseb Emirates Equity Fund (NAV as at 30 September 09 - USD 6.97029)**

**Inception Date: 02/08/05; Benchmark: MSCI UAE Domestic Index**

**Performance**

	Total Return(%)		Total Returns(%)			
	September 2009	YTD 2009	One Year	Two Year	Three Year	Since Inception
MEEF	13.4	47.5	-40.6	-46.0	-68.7	-30.3
MXAED	12.6	53.6	-31.4	-37.5	-64.3	-26.9

**Top Holdings(%)**

Dubai Islamic Bank	17.4
Emaar Properties	12.3
Arabtec	9.6
Emirates Telecom Corporation	8.9
Dubai Financial Market	8.5

**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



**Risk/Return Profile Since Inception**

	Fund Benchmark	
Excess Return	-3.4%	
Beta	0.9	
Sharpe Ratio	-1.0	-0.9
Skewness	0.2	0.1
Kurtosis	3.4	3.6
Std. Deviation	34.8%	33.6%

**Risk/Return & Tracking**

	vs Benchmark
R-Square	77.3%
Information Ratio	-0.2
Treynor Ratio	-0.4
Tracking Error	17.3%
Correlation	0.9

**Sector Weights(%)**

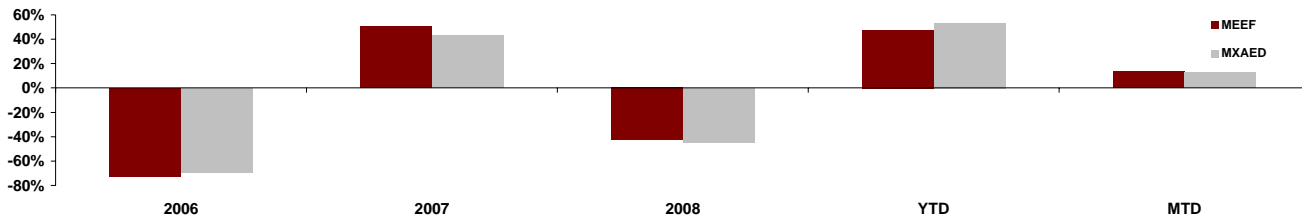
Sector	Fund	Benchmark
Banks	5.12	33.23
Capital Goods	13.28	0.00
Diversified Financials	25.91	11.93
Energy	0.00	6.37
Insurance	5.00	0.00
Materials	3.23	1.40
Real Estate	19.48	34.29
Telecom	8.93	2.09
Transportation	12.93	8.25
Utilities	2.5	2.43
Cash	3.62	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Characteristics**

	Fund		Fund
Div Yield	3.5%	P/E- 1Yr	10.8
P/B	1.41	ROE	16.8%

Source: Bloomberg, Mashreq

**Performance Chart**



**Fund Strategy**

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

- The fund gained 13.4% during the month outperforming the benchmark by 0.8%
- The outperformance is explained by overweight in Capital goods, and Diversified financials, however underweight in Abu Dhabi's Banks and Real Estate lost performance

**Fund Codes:**

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

**Makaseb Qatar Equity Fund (NAV as at 30 September 09 - USD 6.94899)**
**Inception Date: 06/21/05; Benchmark: MSCI Qatar Index**
**Performance**

	Total Return(%)		One Year	Two Year	Total Return(%)	
	September 2009	YTD 2009			Three Year	Since Inception
<b>MOEF</b>	<b>3.4</b>	<b>12.0</b>	<b>-14.2</b>	<b>-8.2</b>	<b>10.3</b>	<b>-30.5</b>
<b>MXQA</b>	4.1	5.7	-20.7	-9.6	3.2	-31.0

**Top Holdings(%)**

Qatar Industries	18.4
Commercial Bank Of Qatar	15.5
Qatar National Bank	12.1
Qatar Electricity & Water	10.2
Qatar Islamic Bank	10.0

**Annual Return(%)**

	2005	2006	2007	2008
<b>MOEF</b>	<b>-3.3</b>	<b>-39.2</b>	<b>47.1</b>	<b>-28.3</b>
<b>MXQA</b>	7.7	-42.6	47.3	-28.3


**Risk/Return Profile Since Inception**

	Fund	Benchmark
<b>Excess Return</b>	0.4%	
<b>Beta</b>	0.9	
<b>Sharpe Ratio</b>	-1.1	-1.1
<b>Skewness</b>	-0.1	-0.4
<b>Kurtosis</b>	3.0	3.2
<b>Std. Deviation</b>	31.8%	32.3%

**Risk/Return & Tracking**

	vs Benchmark
<b>R-Square</b>	85.7%
<b>Information Ratio</b>	0.0
<b>Treynor Ratio</b>	-0.4
<b>Tracking Error</b>	12.4%
<b>Correlation</b>	0.9

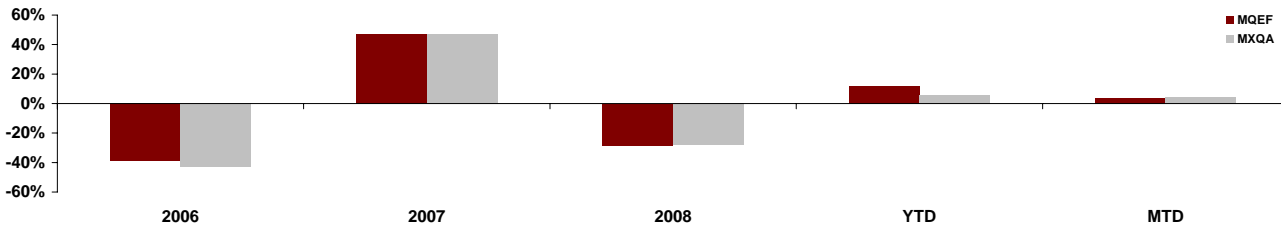
**Sector Weights(%)**

Sector	Fund	Benchmark
Banks	33.85	62.00
Capital Goods	15.11	10.83
Energy	12.75	8.76
Insurance	4.67	2.85
Real Estate	3.21	6.00
Telecom	14.25	6.33
Utilities	8.3	3.23
Cash	7.86	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Characteristics**

	Fund	Fund
<b>Div Yield</b>	5.8%	11.5
<b>P/B</b>	2.71	ROE
		23.9%

Source: Bloomberg, Mashreq

**Performance Chart**

**Fund Strategy**

Makaseb Qatar Equity Fund (MOEF) aims to achieve long term capital appreciation through investment in shares listed on the Doha Stock Market.

- The fund gained 3.4% underperforming the benchmark by 0.7%
- Bulk of the underperformance is due to lack of exposure to Doha Bank and Masraf Al Rayan, on the contrary overweight in Capital goods and stock selection in real estate gained performance this month

**Fund Codes:**

WKN: AOJ3RN  
 ISIN: BH000AOJ3RN5  
 Bloomberg Code: MAKQEFB BI  
 Zawya Code: MAKQTRF.MF  
 Reuters ID: LP65038278  
 Lipper ID: 65038278

**Makaseb Emirates Opportunities Fund (NAV as at 30 September 09 - USD 4.73948)**

**Inception Date: 06/26/05; Benchmark: MSCI UAE Domestic Index**

**Performance**

	Total Return(%)		Total Return (%)			
	September 2009	YTD 2009	One Year	Two Year	Three Year	Since Inception
MEOF	15.5	70.6	-24.5	-8.5	-17.5	-52.6
MXAED	12.5	53.6	-30.7	-36.7	-42.4	-63.2

	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(%)**

Arabtec	19.37
Emaar Properties	16.63
Air Arabia	13.96
Aldar Properties	12.58
Islamic Arab Insurance Compar	11.53



**Risk/Return Profile Since Inception**

	Fund	Benchmark
Excess Return	11.2%	
Beta	0.7	
Sharpe Ratio	-1.0	-1.4
Skewness	-0.7	-0.8
Kurtosis	10.5	4.1
Std. Deviation	54.7%	49.7%

**Risk/Return & Tracking**

	vs Benchmark
R-Square	48.2%
Information Ratio	0.4
Treynor Ratio	-0.8
Tracking Error	31.5%
Correlation	0.7

**Sector Weights(%)**

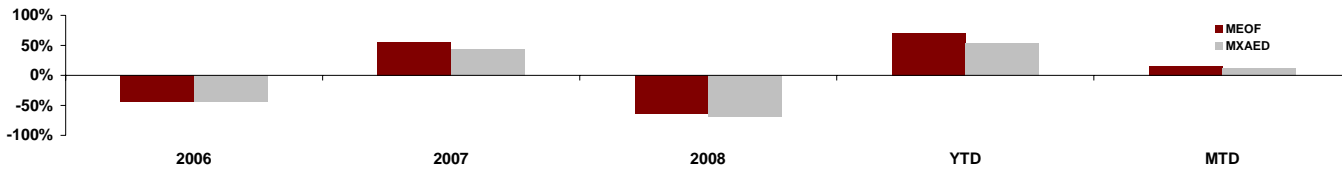
Sector	Fund	Benchmark
Banks	10.1	33.2
Capital Goods	19.4	0.0
Diversified Financials	0.0	11.9
Energy	0.0	6.4
Real Estate	36.1	34.3
Materials	0.0	1.4
Telecommunication Se	7.4	2.1
Transportation	14.0	8.2
Utilities	0.0	2.4
Cash	1.5	0.0
Insurance	11.5	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Characteristics**

	Fund	Fund
Div Yield	1.0%	P/E- 1Yr 7.68
P/B	1.22	ROE 21.2%

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 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.

- MEOF gained 15.5% during the month outperforming the MSCI UAE Domestic Index by 3.00%

**Fund Codes:**

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

**Makaseb Income Fund (NAV as at 29th September 09 - USD 9.0490 )**

**Inception Date: 03/29/06 ; Benchmark: HSBC/Nasdaq Dubai Middle East Investment Grade Sukuk/Bond Index**

Performance	Total Return(%)		Annual Return(%)	
	September	YTD	2007	2008
	2009	2009		
MIF	6.2	11.2	3.24	-21.74
MEIGTR	4.2	21.3	3.64	-14.91

Top Holdings(%)	
Qatar Telecom	15.9
DP World	8.3
Gazprom	7.9
Dar Al-Arkan Real Estate	7.7
Nakheel	7.3

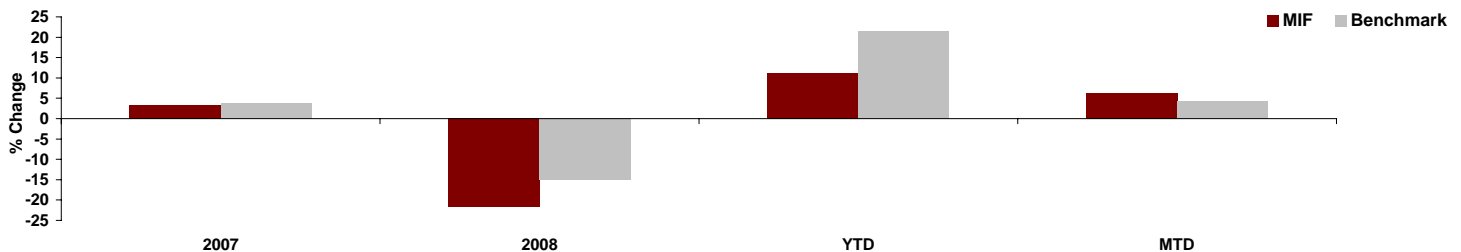
Performance Summary	Fund(%)	Income Summary	Fund
3 Month Return	11.9	YTM	8.52%
YTD	11.2	Average Maturity	5.79 years
		Modified Duration	2.10

Regional Weights(%)	
Bahrain	8.3%
Saudi Arabia	7.7%
United Arab Emirates	33.8%
Russia	9.6%
Indonesia	3.4%
Malaysia	6.9%
Brazil	3.4%
Egypt	5.0%
Qatar	22.0%
Cash	0%
<b>Total</b>	<b>100%</b>

Portfolio Composition	Fund(%)	Portfolio Rating Profile	Fund(%)
Bonds	100	AA+ to AA-	2.6
Cash	0	A+ to A-	45.3
Net Leverage	1.04	BBB+ to BBB-	27.1
		BB+ to BB-	0.0
		B+ to B-	3.36
		CCC+ to CCC-	4.99
		Not Rated	16.6
		Cash	0.0
		<b>Total</b>	<b>100</b>

Source: Bloomberg, Mashreq

**Performance Chart**



**Fund Strategy**

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.

- The fund gained a record 6.2% during the month, the best monthly performance by the fund in 2009
- The performance can be attributed to the fund's positioning earlier in the year towards securities that would have had the most upside from the easing of the credit crisis in Dubai
- Concerns over Nakheel's debt payments have eased in the regional markets and has led to spread compression in regional names. In order to gain from this trend, the fund was leveraged this month and as of 29th Sept. had a net leverage of 1.04%

**Fund Codes:**

WKN: AOJ3RR  
 ISIN: BH000AOJ3RR6  
 Bloomberg Code: MAKAINC BI  
 Zawya Code: MAKINCM.MF

## Mashreq Arab Tigers Fund (NAV as at 30 September 09 - USD 11.5610)

Inception Date: 08/26/08; Benchmark: MSCI Arabian Market Index

### Performance

	Total Return(%)		Total Return(%) Since Inception
	September 2009	YTD 2009	
MashreqATF	1.7	14.5	15.6
MXARM	5.3	26.3	-33.9

### Top Holdings(%)

Abu Dhabi Sovereign Bond	26.3
Qatar Fuel	8.2
Qatar Electric & Water	5.1
Qatar Gas Transport	5.0
EFG Hermes Holding SAE	4.3

### Risk/Return Profile Since Inception

	Fund	Benchmark
Excess Return	49.5%	
Beta	0.09	
Sharpe Ratio	0.8	-1.4
Skewness	1.7	-0.7
Kurtosis	8.9	2.8
Std. Deviation	11.2%	29.9%

### Risk/Return & Tracking

	vs Benchmark
R-Square	5.8%
Information Ratio	1.7
Treynor Ratio	1.0
Tracking Error	28.3
Correlation	0.24

### Sector Weights(%)

Sector	Fund	Benchmark
Banks	0.54	33.28
Consumer Services	0.00	0.27
Materials	1.77	23.16
Transportation	3.84	2.79
Real Estate	0.00	7.54
Food Beverage & Tobacco	0.00	1.99
Capital Goods	8.50	5.39
Diversified Financials	4.29	3.92
Telecommunication	2.59	16.65
Energy	13.24	3.17
Utilities	5.14	1.44
Insurance	3.52	0.15
Commercial & Professiona	0.00	0.25
Bonds	26.33	0.00
Cash	30.24	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Characteristics

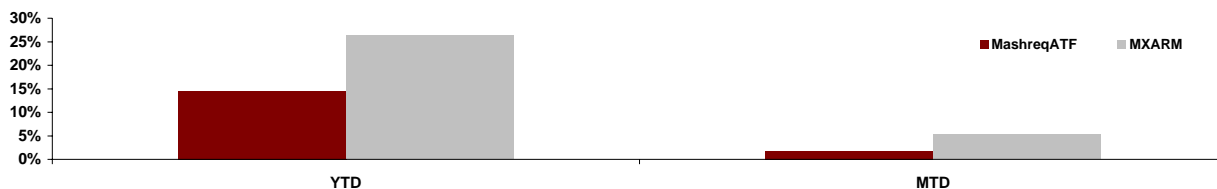
	Fund
Div Yield	4.2%
P/B	1.09
P/E- 1Yr	10.51
ROE	29.8%

### Regional Weights(%)

	Fund	Benchmark
UAE	33.69	8.77
Saudi Arabia	0.00	45.97
Kuwait	0.00	14.00
Qatar	22.62	5.76
Bahrain	0.00	7.10
Jordan	0.00	1.47
Morocco	0.00	4.47
Oman	3.13	2.16
Lebanon	0.00	1.66
Tunisia	0.00	0.33
Egypt	10.32	8.30
Cash	30.24	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Bloomberg, Mashreq

### Performance Chart



### Fund Strategy

The investment objective of the Portfolio is to seek long term capital appreciation through investing primarily in equities listed on recognized markets in the Middle East and North Africa ("MENA") region.

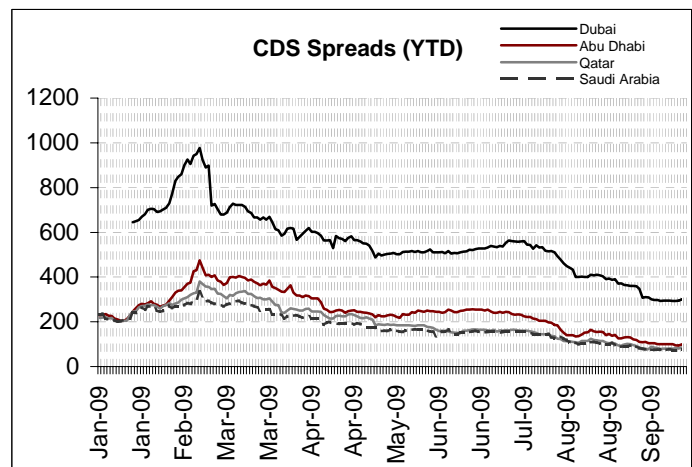
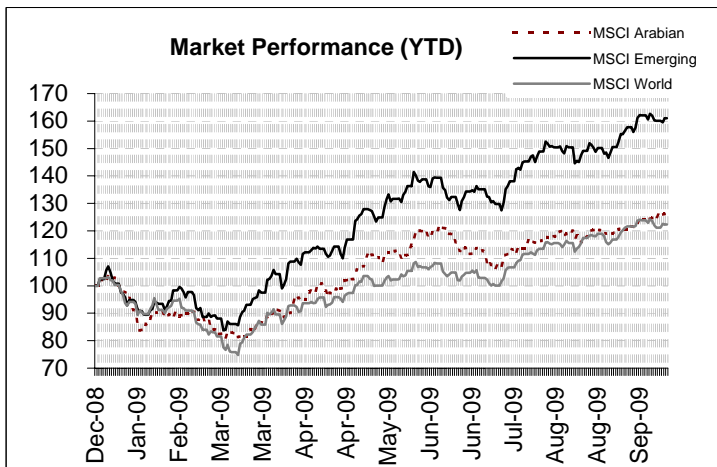
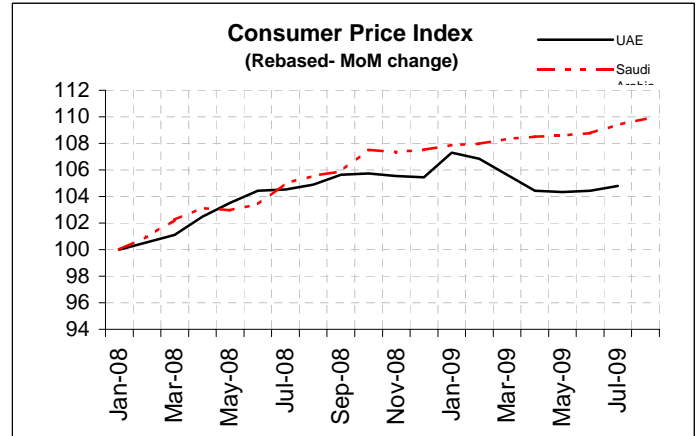
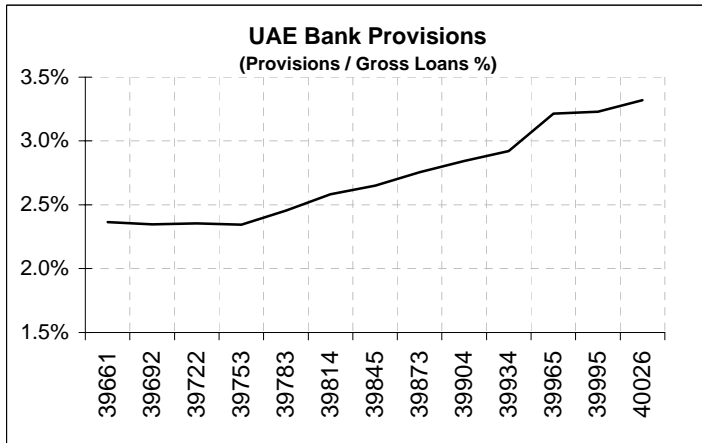
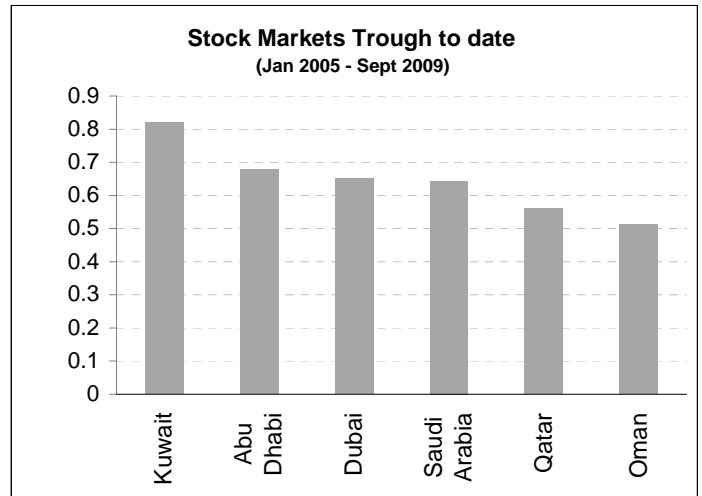
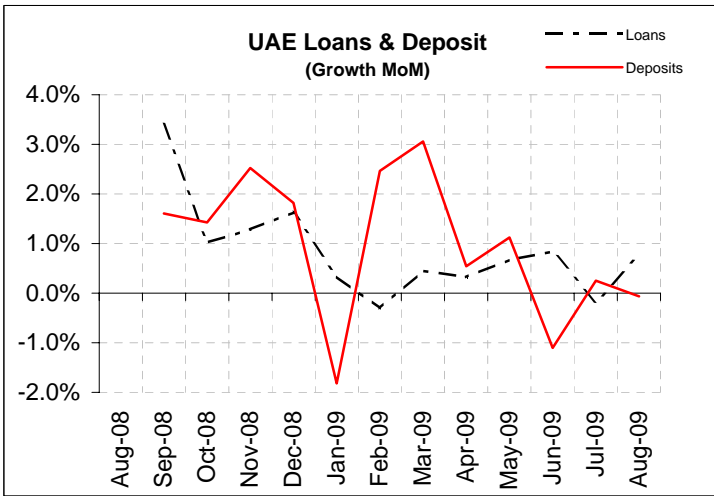
- The Fund returned 1.7% during the month. The benchmark MSCI Arabian Markets Index returned 5.3% during the period.
- Portfolio underweight positions in Financials and lack of exposure to Materials detracted monthly performance

### Fund Codes:

WKN: AORDDX  
 ISIN: IE00B29MW600  
 Bloomberg Code: MASARTI ID  
 Reuters ID: LP 65122961  
 Lipper ID: 65122961



## 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

## DISCLAIMER

*This commentary is prepared by Mashreq bank Asset Management on the basis of publicly available information, internally developed data and other third party sources believed to be reliable. Mashreq bank has not sought to independently verify information obtained from public and third party sources and makes no representations or warranties as to accuracy, completeness or reliability of such information. All opinions and views constitute judgments as of the date of writing without regard to the date on which the reader may receive or access the information, and are subject to change at any time without notice and with no obligation to update. This material is for informational and illustrative purposes only. No part of this material may be reproduced or retransmitted in any manner without the prior written permission of Mashreq bank. Mashreq bank asset management does not represent, warrant or guarantee that this information is suitable for any investment purpose and it should not be used as a basis for investment decisions. PAST PERFORMANCE DOES NOT GUARANTEE OR INDICATE FUTURE RESULTS. This material should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or investment products or to adopt any investment strategy. The reader should not assume that any investments in companies, securities, sectors, strategies and/or markets identified or described herein were or will be profitable and no representation is made that any investor will or is likely to achieve results comparable to those shown or will make any profit or will be able to avoid incurring substantial losses. This informational report does not constitute research and may not be used or relied upon in connection with any offer or sale of a security or a fund. The investment views and market opinions/analyses expressed herein may not reflect those of Mashreq bank as a whole and different views may be expressed based on different investment styles, objectives, views or philosophies. Some of the information may contain projections or other forward-looking statements regarding future events or the future financial performance of the market. We wish to caution you that these statements are only predictions and those actual events or results may differ materially.*

*Investments in mutual funds involve a high degree of risk. Mutual funds may exhibit volatility and investors may lose a part or all of their investments.*

*The charts, tables and graphs contained in this document are not intended to be used to assist the reader in determining which securities to buy or sell or when to buy or sell securities. Benchmarks are used solely for purposes of comparison and the comparison does not mean that there will necessarily be a correlation between the returns described herein and the benchmarks. There are limitations in using financial indices for comparison purposes because, among other reasons, such indices may have different volatility, diversification, credit and other material characteristics (such as number or type of instrument or security).*