

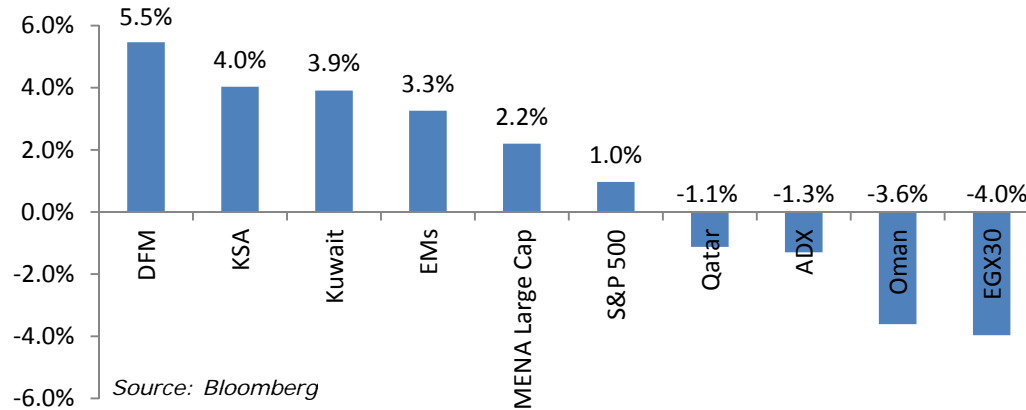


mashreq
Asset Management
Investing Professionally in the Middle East

PORTFOLIO MANAGER OUTLOOK

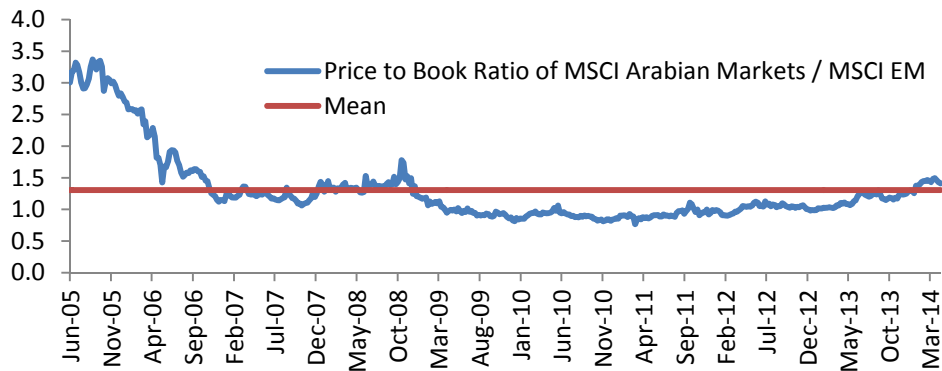
April, 2014

Monthly Equity Market update – March 2014



While the momentum continues on the DFM index now up 41% YTD, investors take bullish bets ahead of earnings season in Saudi. Meanwhile, dividend season coming to an end puts downward pressure in Qatar. In Egypt, selling the news that Sisi will run for president coupled with margin calls on retail investors took its toll on the market.

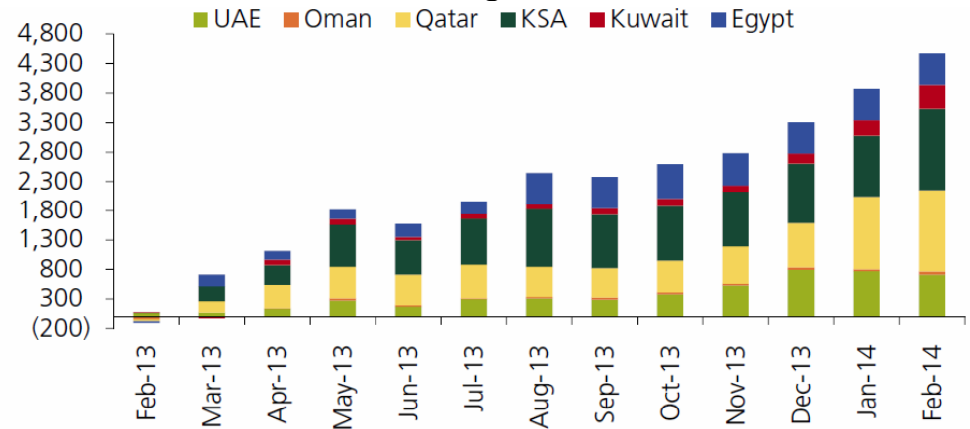
Historical P/B Ratio of MSCI Arabian Markets vs. MSCI EM



Source: Bloomberg

MENA markets has rallied significantly in the past 15 months vs. EMs. While we will unlikely see the ratio going back to 2005 levels, MENA markets are on a much more solid footing compared to Emerging markets, which will continue to drive foreign participation.

MENA: Cumulative Net Foreign flows (USD mn)



Source: EFG, Stock exchanges

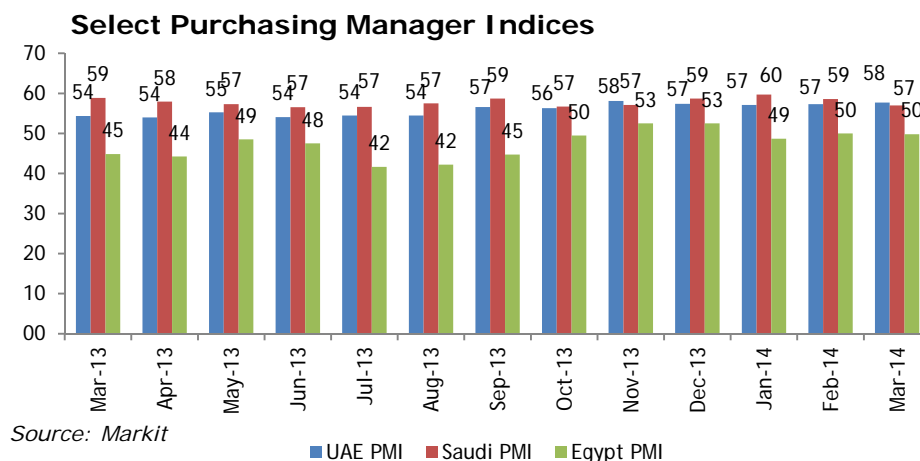
Foreigners playing a larger part in the MENA rally, most notably in Qatar, KSA and less so in Kuwait.

Equity Market Outlook – April 2014

Stock Exchange	Year to date(%)	TTM P/E	Estimated 2014 P/E	Dividend Yield (%)
Dubai Financial Market	41.2	20.4	18.3	2.1
Abu Dhabi Exchange	20.3	15.6	14.5	3.5
Doha Stock Market	17.8	15.5	13.8	4.1
Cairo Stock Exchange	16.1	59.7	5.9	2.4
S&P Pan Arab LargeCap Index	13.0	17.2	13.6	3.2
Saudi Stock Exchange*	10.4	19.3	14.8	3.1
Kuwait Stock Exchange	10.0	19.7	14.7	2.9
MSCI Emerging Markets	1.3	11.9	10.2	2.8
Muscat Stock Market	-0.2	11.3	11.7	3.9
S&P 500	-1.8	16.8	15.5	2.0

Source: Bloomberg

While we believe the above average multiples compared to EMs are warranted, our view will be to stay more on the defensive side for the interim in allocating to less beta names.

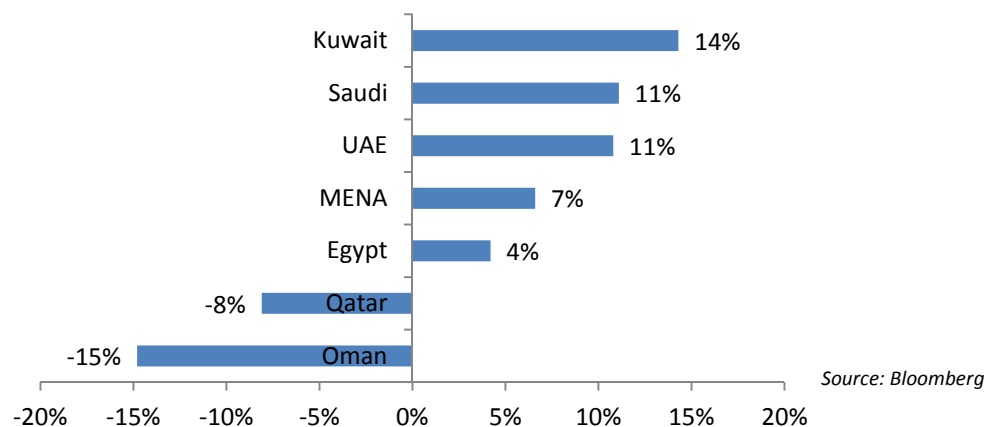


While PMIs indicate that non-oil economic growth is strong, economic momentum seen in parts of 2013 has taken a breather.

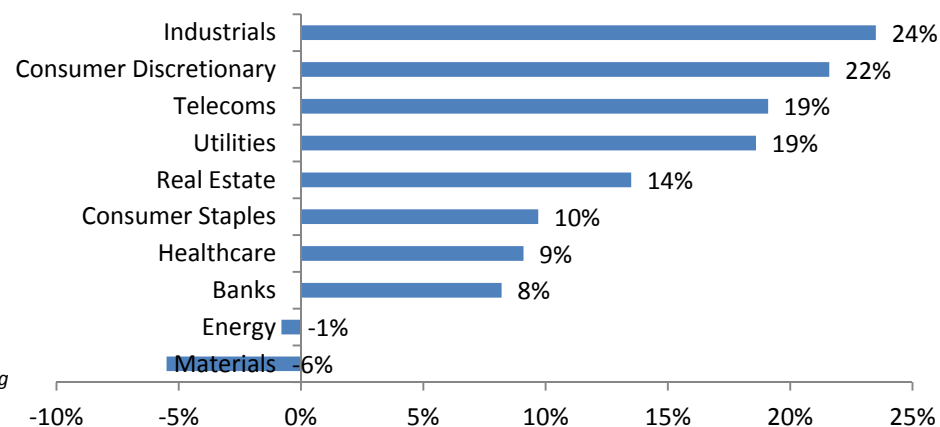
Looking forward – what to expect in April

First quarter 2014 earnings kick-off in April. Earnings surprises were negative in 4Q13 by around 7%. With MENA markets already up 13% YTD (as of writing), negative earnings surprises will not be taken well.

Estimated YoY 1Q14e Country Earnings Growth



Estimated YoY 1Q14e Sector Earnings Growth



Monthly Fixed Income Market update – April 2014



Higher prices of US treasuries shifted the benchmark yield curve down year to date. This was a positive factor for the bond market in general but particularly for investment grade and the GCC market.



The above chart of spread of middle eastern bonds compared to US treasuries did go up during January but tightened all the way towards the end of March and only widened recently again. Year-to-date it is still tighter implying a strong market.



On a total return basis the market was very solid – both the rising treasuries and spread tightening contributed to the year-to-date return of 3.52%.



The Sukuk total return index was up slightly more, which demonstrates the ongoing positive dynamics of this market segment. Year-to-date it is up 3.67% and hence outperformed the broader market.

Monthly Fixed Income Market update – April 2014

First Quarter Commentary

Bond market generally performed very well on the back of a much stronger than anticipated US treasury market. Emerging Markets and global high yields also profited from risk appetite - which might just have been the desperate hunt for yield. But not all markets performed equally good as there were some overlaying themes: worse than expected economic figures out of China and the escalating conflict around Ukraine involving Western and Russian interests diverting significantly. This resulted in volatility of assets in these regions.

The GCC market though has been a safe haven all through the year and performed almost untouched by any episode of risk aversion in the broader markets. This is due to the exceptionally economic dynamics, that this region has re-gained, as well as a very beneficial situation of high demand meeting limited supply.

The closely tracked economic releases in the US were towards the positive side of the spectrum after the whether effects diminished, but changing interpretations of the Fed's intentions regarding the interest rate path, as well as safe haven buying on the back of ongoing conflicts, have probably let to higher US treasuries than they normally would have been, considering the data releases alone.

Outlook

Market themes to look out for are:

- West vs. Russia over Ukraine
- China slowdown
- Signs of a continuing economic recovery with focus on the US and Fed's interest rate path
- Inflation picking up in the US

FUNDS AT A GLANCE

Peer Comparison - MAKASEB & MASHREQ AL ISLAMI ARAB TIGERS FUND

Fund Name	NAV Date	YTD	1Y	3Y*	5Y	S.I.
Makaseb Arab Tigers Fund	10-Apr-14	19.126	45.465	94.263	155.93	53.002
Arab Gateway Fund	08-Apr-14	12.52	39.744	60.036	113.887	260.4
Franklin MENA Fund (Class I - USD Accumulated Share)	10-Apr-14	18.789	46.552	59.375	117.949	-23.5
Mashreq Al Islami Arab Tigers Fund	10-Apr-14	14.569	31.923	57.993	96.687	95.589
Beltone MENA Equity Fund	07-Apr-14	12.155	41.279	55.733	100.313	7.896
Baring MENA Fund (Class A Acc - USD)	14-Apr-14	15.862	30.757	54.371	-	60.7
Franklin MENA Fund (Class I - USD Yearly Dividend Share)	10-Apr-14	18.723	46.202	54.311	108.727	-14.003
Emirates MENA Top Companies Fund Institutional Shares (I Share Class)	13-Apr-14	12.116	36.521	54.054	119.204	27.397
Emirates MENA Top Companies Fund A Share Class	13-Apr-14	12.058	36.193	52.961	116.31	-5.466
Franklin MENA Fund (Class A - USD Accumulated Share)	14-Apr-14	16.969	45.791	51.709	93.989	-29
EFG MEDA	07-Apr-14	14.236	50.204	48.584	73.089	230.6
Al MaI MENA Equity Fund	09-Apr-14	14.049	38.762	47.286	93.797	3.1
TNI MENA UCITS Sub Fund	09-Apr-14	13.148	32.902	39.629	-	46.569
Emirates MENA High Income Fund (Institutional Share-Class Accumulation)	13-Apr-14	8.859	24.751	39.628	79.224	94.4
Emirates MENA High Income Fund (A Share Class Accumulation)	13-Apr-14	8.806	24.436	38.619	77.107	86.066
Meridio Arab World Fund (Public Shares)	14-Apr-14	24.462	42.554	31.467	64.12	-3.99
Mena Dividend Leader Fund Distribution USD	31-Mar-14	12.609	39.077	-	-	38.278
FFA MENA Equity Fund	06-Apr-14	4.732	21.888	-	-	39.627
Al Masah Capital Fund MENA Dividend Fund (A)	01-Apr-14	8.017	-	-	-	23.268

SI – Since Inception,
Source: Zawya

Peer Comparison – MAKASEB INCOME FUND

Fund Name	NAV Date	YTD	1Y*	3Y	5Y	S.I.
Makaseb Income Fund	10-Apr-14	2.866	5.381	27.586	74.946	32.265
Al Mal MENA Income Fund	09-Apr-14	4.477	5.222	15.563	19.792	21.11
Emirates MENA Fixed Income Fund (I Share Class - Accumulation)	11-Apr-14	3.716	3.893	27.888	-	38.661
Emirates MENA Fixed Income Fund (A Share Class - Accumulation)	11-Apr-14	3.655	3.631	26.937	-	16.765
Falcon Menasa Bond Fund	31-Mar-14	1.363	1.363	-	-	15.783
NBAD Mena Bond Fund (USD Share)	10-Apr-14	0.131	0.349	-	-	1.724
NBAD Cautious Income Fund	10-Apr-14	-0.839	-0.812	-	-	12.012
Emirates MENA Fixed Income Fund (I Share Class - Income)	11-Apr-14	3.716	-1.225	16.278	-	21.643
Emirates MENA Fixed Income Fund (A Share Class - Income)	11-Apr-14	3.655	-1.475	15.556	-	20.404
SICO Fixed Income Fund (A)	20-Mar-14	2.379	-	-	-	2.596

SI – Since Inception
Source: Zawya

Peer Comparison – MASHREQ AL ISLAMI INCOME FUND

Fund Name	NAV Date	YTD	1Y	3Y*	5Y	S.I.
Mashreq Al Islami Income Fund	10-Apr-14	2.71	3.386	22.515	-	47.06
Emirates Global Sukuk Fund USD Institutional Share Class (Accumulation)	11-Apr-14	2.225	2.434	17.789	-	21.992
Jadwa Global Sukuk Fund	08-Apr-14	1.986	1.948	12.929	27.061	21.522
Emirates Global Sukuk Fund USD Institutional Share Class (Income)	11-Apr-14	2.225	-1.611	8.01	-	12.203
NBAD Sukuk Income Fund	10-Apr-14	2.447	3.243	-	-	11.242
BLME Shariaa Umbrella Fund SICAV-SIF- USD Global Sukuk Fund (Class A)	14-Apr-14	2.953	2.889	-	-	18.519
Mashreq Al Islami Income Fund (DI)	03-Apr-14	2.45	1.9	-	-	4.285
HSBC Amanah Sukuk Fund	08-Apr-14	0.886	-0.615	-	-	2.075
Mashreq Al Islami Income Fund (DA)	03-Apr-14	2.46	-	-	-	2.7

SI – Since Inception
Source: Zawya

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