



Latest grading issued March 2013

Fund profile

Launch date	November 2005
Manager location	Dubai
Sector	Middle East & North Africa
Peer group	MENA equities
Fund benchmark	S&P Pan Arab LargeMid Cap index
Fund size	US\$6.2m (1 November 2012)

Cumulative returns

	3 years	5 years
Fund share class	31.9%	-22.5%
Index**	13.1%	-33.9%

** S&P Pan Arab Composite LargeMidCap Index TR

Fund owner: Mashreq Bank
Fund manager/adviser: Mashreqbank
Named portfolio manager/adviser(s): Dildora Yusopova (since January 2013), Reda Gomaa (since launch)
Contact group: +971 4 207 8535 or www.mashreqassetmanagement.com

Review period 12 months to end-December 2012

Peter Fuller, Analyst at S&P Capital IQ Fund Research, prepared and is responsible for this report; the Grading Committee is responsible for the grading.

The following report is based on information taken direct from the group either via interview or as a written document and augmented by information in the public domain. The sources of performance data are provided within the report. All opinions are our own.

Fund Research opinion (February 2013)

Although last October's departure of team head Ibrahim Masood represents the loss of the team leader and a fund manager with over 16 years' investment experience, this does not appear to have had any adverse effect on the fund's performance. The fund outperformed its benchmark S&P Pan Arab Large/Mid Cap index by a comfortable margin, up 21.1% against an index rise of 7.1%.

The team is now led by Abdul Kadir Hussain, who, as CEO of Mashreq Bank's DIFC subsidiary, is responsible for all of the bank's asset management activities. He is also CIO for its fixed income investments and has over 21 years' investment experience including time at First Chicago, Pacific Life and Peregrine West LB. Immediately before joining Mashreq Bank, he was at CSFB, where he spent seven years, initially as the Singapore-based head of Asian credit research and then trading fixed income in London.

Hussain heads a team of 10 investment professionals, which includes two equity fund managers (Reda Gomaa and Dildora Yusopova), both with around 15 years' industry experience, and two analysts (Faiqa Anwar and Amani Al-Nassar), both of whom were relatively inexperienced when they joined the firm in 2011. All equity team members are research generalists and are responsible for approximately \$104m across four equity funds.

The investment approach is a disciplined balance between top-down and bottom-up considerations, driven by fundamentals and with a clear value bias. Portfolio positioning is largely benchmark-agnostic. The top view looks to set a cohesive background to the team's bottom-up stock selection targeting companies with organic growth, quality of earnings, attractive valuations and strong management. Meeting companies is deemed important.

The managers target a concentrated portfolio of 15-25 holdings, representing the team's best stocks in selected sectors across the region. Most country and sector weightings tend to be a by-product of stock selection, but may be adjusted to ensure broad diversification or a strong top-down market preference.

Despite the departure last year of Ibrahim Masood, the fund's lead manager since launch in November 2005, the fund has continued to perform well. Over the last two years, it has outperformed the S&P Pan Arab LargeMidCap index by a substantial margin and produced top-decile relative returns within the S&P Capital IQ MENA equity sector.

Success has been based on stock selection and timely moves between markets, made particularly difficult in late 2012 when the fund suffered a very heavy redemption. In most markets, the fund is heavily biased towards domestic recovery where the manager remains cautiously bullish. Current exposure omits Kuwait - despite its 13% index weighting - and underweights Saudi Arabia, although the latter is more a reflection of the team's current emphasis on mid-/small-caps and an absence of several large Saudi index names.

While the changes in fund manager cause us concern, the investment discipline remains intact and performance is undeniably strong, allowing the fund to retain its S&P Capital IQ Silver grading.

MAKASEB Arab Tigers Fund

Management style

The fund aims to achieve long-term capital appreciation through investing mainly in shares of companies listed in the Middle East and North Africa. For benchmark purposes, it uses the S&P Pan Arab LargeMid Cap index.

The investment approach is a disciplined blend of top-down and bottom-up considerations, driven by fundamentals and with a clear value bias. Portfolio positioning is largely benchmark-agnostic.

The top view looks to set a cohesive background to the portfolio in terms of the prevailing macroeconomic and political themes affecting markets in the MENA region. Steadily increasing retail spending, for example, may lead the team into analysing more telecoms, media and consumer goods companies. Increased government spending may cause the team to look more towards construction and infrastructure projects.

The bottom-up stock selection begins with a universe of some 1,700 names. This is reduced by liquidity screens to around 250 investable companies where the three-month average daily trading turnover is over \$0.1m. The team targets companies with organic growth, quality of earnings, attractive valuations and strong management. Meeting companies is deemed important.

The managers target a concentrated portfolio of 15-25 holdings. Diversification is largely a result of market conditions, as well as of the team's knowledge of the investable universe. The aim is to select the best stock per sector. Country and sector weightings are a by-product of stock selection, but may be adjusted to ensure broad diversification.

While country and sector allocations are not constrained, individual stock weights are restricted to 10% at purchase. Each stock is assessed for its sensitivity to macro factors.

Although the aim is for stock selection from across the MENA region to be the key driver of performance, cash is actively managed. Up to 10% of the fund may be invested in bonds.

Fund manager & team

As CEO of Mashreq Bank's DIFC subsidiary, Abdul Kadir Hussain is responsible for all of the bank's asset management activities, as well as being the CIO for its fixed income investments.

He heads an investment team of 10, which includes the equity desk comprising fund managers Reda Gomaa (15 years' experience) and new recruit Dildora Yusopova (16). They are supported by analysts Faiqa Anwar and Amani Al-Nassar, both of whom joined the firm in 2011. All team members are research generalists and are responsible for approximately \$104m across four equity funds.

Abdul Kadir Hussain - economics (Wharton School, University Pennsylvania), MBA (Anderson School, UCLA, London), has over 21 years' investment experience including time at First Chicago, Pacific Life Assurance Company and Peregrine West LB. From 1999 to 2006, he worked for CSFB, first in Singapore as head of Asian credit research and then trading fixed income in London. He joined Mashreq Capital in Dubai in April 2006.

Dildora Yusopova - philosophy (Tashkent University) & MBA finance (Columbia University, USA), joined the firm in September 2011 with prior experience at Citicorp, Credit Suisse and Merrill Lynch and has been attached to this fund since January 2013.

Reda Gomaa - MSc economics & political science (Cairo University, Giza), started his career in 1997 as a credit analyst at Arab Investment Bank in Cairo, rising to senior investment analyst responsible for making investment recommendations. He joined Mashreq Bank in October 2005.

Calendar-year performance

	2008	2009	2010	2011	2012
	%	%	%	%	%
Fund share class	-51.2	20.3	8.3	0.7	21.1
Index**	-50.6	18.5	17.7	-10.3	7.1

** S&P Pan Arab Composite LargeMidCap Index TR

Fund benchmark: S&P Pan Arab LargeMid Cap index

Share class screened: BH000A0J3RQ8 (Ord)

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Latest grading issued March 2013

Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

Portfolio characteristics (1 November 2012)

No. of holdings	21
% in top 10	59
Turnover ratio (%)	129

Source: Mashreqbank

Geographical allocation (%)

Egypt	14.0
Oman	4.0
Qatar	18.0
Saudi Arabia	48.0
United Arab Emirates	6.5
Other	4.0
Cash	6.5

Source: Mashreqbank

Grading Process

To qualify for an interview and potential grading, a fund must have a minimum two-year performance track record (three years for funds-of-hedge-funds). New funds, funds with less than two years' performance record and specialist funds can be analysed and included providing independent verifiable performance data is supplied.

The starting point for a grading is an initial quantitative screen based on performance data obtained from Lipper Inc or elsewhere. For long-only funds, discrete annual performance comparisons are made, as opposed to cumulative returns over a three-year period. Relative performance of funds within each sector is ranked by decile.

This quantitative screen captures approximately the top 20% of funds in each sector, depending on the size of the sector. For funds-of-hedge-funds the screen is based on the fund's risk/reward objective.

For more information on the fund grading process please visit our website at www.funds-info.standardandpoors.com.

Symbols and Definitions

Active funds

Grading bands for long-only funds

Platinum	The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
Gold	The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
Silver	The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Grading bands for Fund-of-hedge-funds / Absolute return / Specialist funds

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Silver	The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Grading bands for Ucits III flexible beta funds

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
Silver	The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

Bond gradings

V	Bond fund volatility gradings of V1 to V6 reflect S&P Capital IQ's current opinion of a fund's sensitivity to changing market conditions. A volatility grading evaluates a fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For the V1 to V4 categories, risk is considered relative to a portfolio composed of government securities denominated in the base currency of the fund.
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Absolute return gradings

N	The N grading is S&P Capital IQ's indication of a fund's potential capital stability in normal markets. It is a qualitative grading but is based on annualised weekly downside deviation. N1 is the most stable, and N9 the least stable grading.
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Symbols and Definitions (continued)

Passive funds

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk management and consistency of performance as compared to its benchmark index and other passive funds with a similar benchmark.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk management and consistency of performance as compared to its benchmark index and other passive funds with a similar benchmark.
Silver	The fund demonstrates high standards of quality in its sector based on its investment process, risk management and consistency of performance as compared to its benchmark index and other passive funds with a similar benchmark.

Applicable to both active and passive funds

Bronze	A previously graded fund where a newly appointed fund manager or team does not yet have the required 12 months' relevant investment management experience to achieve a Silver grading or higher.
Grading On Hold	A grading is placed On Hold when a significant change occurs at the fund manager or fund management team level and S&P Capital IQ has not yet had the opportunity to evaluate the impact on the qualitative appraisal.
Grading Removed	A previously graded fund is classified Grading Removed when a significant change occurs at the fund manager or fund management team level sufficient for the fund to no longer meet the standards to achieve a grading.
LTG recognition	A long-term grading (LTG) denotes a fund that has achieved an S&P Capital IQ fund grading at Platinum, Gold or Silver level in each of the last five or 10 consecutive years.

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