



Fund owner: Mashreq Bank
Fund manager/adviser: Mashreq Capital
Named portfolio manager/adviser(s): Abdul Kadir Hussain (since June 2009)
Contact group: +9714 207 8835

Latest grading issued June 2012

Fund profile

Launch date	June 2009
Manager location	Dubai
Sector	Specialist
Peer group	Specialist fixed income in USD
Fund benchmark	5-7% annualised return over the life of the fund
Fund size	US\$33m (1 April 2012)

Review period 12 months to end-March 2012

Randal Goldsmith, 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 (May 2012)

The fund is managed by Abdul Hussain, Mashreq Capital's experienced CIO of fixed income and group CEO. Mashreq Capital is part of Mashreq Bank, the largest retail bank in the UAE.

Hussain set up the fixed income business at the end of 2005 and was joined in April 2007 by Aliasgar Tambawala, who is back-up portfolio manager. They are supported by two analysts.

The fund invests in a diversified portfolio of sukuk and other Shariah-compliant fixed income securities (around 15 holdings, which are each less than 20%) originating primarily from countries in the GCC and MENA, and may also have up to 20% in other emerging markets (primarily Asia, emerging Europe and Africa). Currently, the fund's exposures outside the region are: 8.3% Malaysia, 8.2% Turkey and 1.6% Indonesia.

The portfolio is constructed from the manager's bottom-up security selection and may include high yield corporate bonds. However, the average quality of the portfolio is normally investment grade. Beyond the limit on investments outside the GCC and MENA, there are no other geographical or sector restrictions. The manager invests through cash securities and only uses derivatives to manage interest rate duration, keeping it within a range of 3.5 to 7 years.

The fund has no formal benchmark as its investment universe is set by the Shariah board, which may not accept bonds regarded as sukuk by other boards. Therefore managing against an index can be problematic. However, the manager seeks a 5-7% annualised return over the life of the fund. The record is decent so far, with no down years since launch in June 2009. Cumulatively from inception, the fund has returned 27.56%, which gives an annualised 8.97% return.

This strong track record achieved by the group's experienced fixed income manager working from a team-based and controlled process allows the fund to achieve an S&P Capital IQ Silver grading.

Mashreq Al Islami Income Fund

Management style

The fund invests in a diversified portfolio of sukuk and other Shariah-compliant fixed income securities originating primarily from countries in the GCC and MENA, and may also have limited holdings in other emerging markets (primarily Asia, emerging Europe and Africa).

The fund has no formal benchmark, as its investment universe is set by the Shariah board, which may not accept bonds regarded as sukuk by other boards. Therefore, managing against an index can be problematic. However, the manager seeks a 5-7% annualised return over the life of the fund.

The investment approach begins with a top-down review of the macro environment, but the main emphasis is on bottom-up security selection, driven by the team's relative value analysis.

Portfolio duration is normally 3.5-7 years, and is not guided by the benchmark.

The fund can hold high yield, but the average rating on the fund is normally investment grade.

Geographical and sector positioning is generally driven by the manager's bottom-up portfolio construction. However, no more than 20% of the portfolio can be invested outside the GCC and MENA region.

The portfolio normally has around 10-15 holdings, each below 20%. The manager does not use credit derivatives, but may use interest rate futures to manage overall duration positioning.

Cash is normally 4-5% of the portfolio, and does not normally go over 10%.

The portfolio is subject to independent oversight by Mashreq Bank's risk management team.

Fund manager & team

Abdul Hussain is head of Mashreq Asset Management's fixed income team of four, which includes back-up manager Aliasgar Tambawala and two analysts (Robert Hahm and Kojagiri Bhoir). Hussain started the group's fixed income business at the end of 2005.

Abdul Kadir Hussain - economics (Wharton School at the University of Pennsylvania), MBA (Anderson School at UCLA), CFA, has over 20 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.

Aliasgar Tambawala - business administration, MSc applied economics (Marquette University), started as an equities analyst with IL&FS Investsmart in March 2003. One year later, he moved to JP Morgan Stanley's Mumbai office to do mutual funds research on behalf of corporate advisory and private wealth advisory clients. In March 2005, he moved to ENAM Securities in Mumbai to cover Indian financial services securities. He joined Mashreq's fixed income team in April 2007.

Kojagiri Bhoir - CA, after working as an audit assistant, she joined Standard & Poor's Mumbai office as a credit analyst in September 2006. She moved to Mashreq Bank in October 2008 to work on monitoring bank-wide credit risk, and then joined the fixed income team in July 2011.

Robert Hahm - MSc economics (University of Hamburg), CFA, started as a graduate banking trainee with Dresdner in Hamburg in February 2000, becoming a junior trader in January 2002 and a portfolio manager/senior trader in April 2003. After a three-year sabbatical, he joined Orion Holdings in Dubai in June 2008 as a market risk officer. In September 2009, he moved to Arzak Global Securities to take an appointment as its risk manager in Dubai and the Isle of Man. He joined Mashreq Capital as a research analyst in November 2011.

Calendar-year performance

	2008	2009	2010	2011	Year to 31/03/2012
	%	%	%	%	%
Fund share class	-	-	9.2	7.5	3.6
Index**	-	-	12.8	7.2	2.5

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Fund benchmark: 5-7% annualised return over the life of the fund

Share class screened: N/A (Ord)

Performance Data Source - © 2012 The Management Group. All rights reserved. All statistical data on this report has been run to 31/03/2012 on NAV to NAV basis, with gross income reinvested, in USD and including the effect of fees and expenses.



Latest grading issued June 2012

Investment style

	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			
ABS/MBS			

Sources of return

	None	Low	Average	High
Duration				
Yield curve				
Credit spreads				
Country / sectors				
Currency exposure				
Derivatives				

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.

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.

Continued on next page

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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