

Announcement: Moody's assigns first-time MQ3 to Mashreq Capital (DIFC) Limited

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Paris, September 10, 2012 -- Moody's Investors Service has today assigned an MQ3 investment manager quality assessment to Mashreq Capital (DIFC) Limited (or "Mashreq Capital"), which reflects Moody's view of the asset manager's strong ownership structure and solid investment performance. As of June 2012, Mashreq Capital's assets under management (AUM) totaled US\$265 million.

Mashreq Capital was established in 2006 in Dubai and is a wholly-owned subsidiary of MashreqBank psc (Baa1, deposits; D+ BSFR/baa3 BCA, Prime-2, negative outlook). Using its extensive regional investment experience, Mashreq Capital, whose main focus is on Middle East and North African assets, offers bond and equity open-ended funds as well as segregated mandates,

ASSESSMENT'S RATIONALE

Mashreq Capital's MQ3 assessment reflects the strategic and operational backing provided by its parent company, the high level of experience and qualifications of its professionals, as well as the good risk-adjusted performance of its funds and segregated mandates. The assessment is also based on Mashreq Capital's relatively modest size compared with global managers, the small size of its investment unit and the limited operating history of its funds and mandates, as well its exposure to key-man risk.

Mashreq Capital's investment-management process follows a combination of top-down and bottom-up approaches that are supported by proprietary fundamental research and macroeconomic analysis. The disciplined investment process begins with analysis of macro factors, such as the global and regional economic environment, outlook for growth and interest rates. Mashreq Capital complements this with a bottom-up assessment of each investment, aiming to exploit inefficiencies in the pricing of credit and interest-rate risk in order to identify companies that might be mispriced. It includes a review of credit risk, structure, management, and strategy. The portfolio construction considers investment guidelines, risk and diversification limits.

Moody's notes that key-man risk is presently an issue, given the asset manager's narrow size in terms of number of employees (currently 20 full-time equivalents). This particular risk is partly mitigated by Mashreq Capital's committee-based investment decision approach, as well as the documented compliance procedures related to the investment decision-making process.

According to Mashreq Capital's risk-management and control practices and procedures, prospectuses are hard-coded into the monitoring systems and three risk managers are responsible for monitoring the funds' compliance with investment guidelines, including a value-at-risk (VaR) stress test.

Moody's notes that the asset manager's funds and mandates have consistently shown good risk-adjusted performance, relative to both global and local benchmarks. This consistent, solid investment performance supports Mashreq Capital's MQ3 rating level.

However, Moody's also notes that Mashreq Capital's relatively good performance is based on a limited track record (4.2 years on average) of the funds and mandates that Mashreq Capital covers. In addition, its financial robustness is constrained given its modest size, notwithstanding the backing of its parent company.

Moody's MQ3 Investment Manager Quality assessment indicates a good management and control environment. The assessments, which are expressed using a scale from MQ1 to MQ5, incorporate Moody's assessment of an entity's investment management activities and other management characteristic, including, as applicable, the performance of its product offerings, its financial profile, and client servicing performance. Where appropriate, a "+" or "-" modifier will be appended to the MQ2, MQ3, and MQ4 assessment category and a "-" modifier will be appended to the MQ1 assessment category. A "+" modifier indicates the manager ranks in the higher end of the designated assessment category. A "-" modifier indicates the manager ranks in the lower end of the designated assessment category.

The principal methodology used in this rating was Moody's Approach to Investment Manager Quality (MQ) Assessments of Asset Managers published in August 2011. Please see the Credit Policy page on

www.moody's.com for a copy of this methodology.

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