

Named portfolio manager(s):

Ibrahim Masood (since launch), Reda Gomaa (since October 2005)

Peer group: UAE

Location: Dubai

Launch date: February 2005

Fund size (September 2009): US\$6.7m

Contact group: +971 4 2078368 or

www.mashreqbank.com

Further information on S&P's fund coverage can be found at www.FundsInsights.com



Report date January 2010

Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

Performance statistics

	3 Years	5 Years
Fund	-55.6%	%
Index**	N/A%	%

Note: returns are cumulative

Standard & Poor's opinion (December 2009)

This fund has been through a period of challenging performance over the last 18 months. While part of this results from the considerable and largely unexpected changes in the index constituents, we note that the fund has lagged some of its competitors more recently. This is due to a combination of suffering outflows, raising less cash than some peers, and wrongly calling the market during Q2 of 2009. A mitigating factor is that the fund tends to be managed in a more benchmark-aware fashion than some peers and typically adopts less extreme positions as a result of its focus towards retail investors. Additionally, relative to many competitor funds the standards of practice adopted by the group are higher, both in terms of disclosure and risk management.

The team responsible for this fund has not been stable. While both the lead and day-to-day manager of this fund are still in place, there have been several departures including an experienced fund manager and two analysts. The loss of Imran Ahmed has meant that Masood has broadened his responsibilities to include the marketing and business development side of the business.

It is reassuring to see that Reda Gomaa continues to focus on this portfolio. His experience and knowledge of the stocks in the UAE market are valuable at a time when resources are more stretched.

The rating of this fund is under increased pressure. However, the experience of the managers and the high standard of practice adopted across the board by the group enable the retention of the S&P A rating.

Fund manager & team

After the departure of Imran Ahmed, Ibrahim Masood has taken over as head of the asset management division. He is supported by a team of two on marketing and business development. On the investment side, Masood heads a team of four, including two analysts (Deepika Kohli and Gayatri Banga) and one other fund manager/analyst (Reda Gomaa). Responsibilities are split by country but at sector and stock level all team members are generalists.

Ibrahim Masood - senior investment officer - CFA, started his career in 1995 working as analyst and fund manager for a Pakistani affiliate of Morgan Stanley before moving to Credit Agricole Indosuez, Merrill Lynch and CLSA. In 2001 he moved to Rana Investment Company in Saudi Arabia where he managed US and European portfolios. He joined the group in 2003 and was promoted to SIO in 2005.

Reda Gomaa - started his career in 1997 as a credit analyst at Arab Investment Bank in Cairo, eventually becoming a senior investment analyst responsible for making investment recommendations. He joined the group in October 2005.

Management style

This fund aims to outperform its MSCI UAE Domestic index.

The universe of over 40 names - half of which are part of the benchmark - is screened for liquidity and narrowed down to around 30-32 investable companies. The team focuses on companies with organic growth, quality of earnings and attractive valuations (P/E and P/B ratios). Company meetings are important and top-down thematic considerations are of some use, although this fund has limited scope for that. Compared to the team's regional mandates, for this fund the focus is more on relative valuations.

The portfolio is built keeping an eye on the benchmark and is fairly concentrated. There is typically a bias towards quality mid-caps. This is partly the result of the concentrated nature of the benchmark, which has two stocks representing over 30%.

Risk controls include limiting the maximum exposure to each holding to one-third of the average daily liquidity, assuming a three-day liquidation period. Cash management is less active than the Arab Tigers Fund, but there is still some flexibility to raise cash. Sector deviations against the benchmark are also more controlled. In normal conditions turnover averages 50%.

MAKASEB EMIRATES EQUITY FUND

Bahrain domiciled open-ended investment fund

Fund owner: Mashreqbank

Fund manager: Mashreqbank

STANDARD & POOR'S



Portfolio & performance analysis (September 2009)

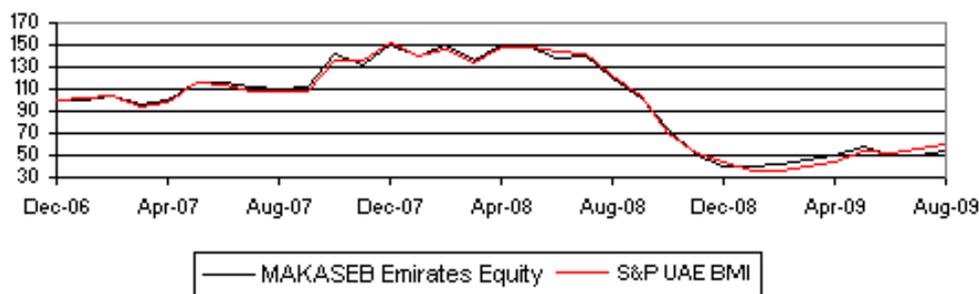
Over the past 12 months, the most noticeable change resulted from the index rebalancing that occurred in May 2009. It led to Etisalat moving from around 25% in the index to zero and for First Gulf Bank to increase to nearly 20%. This clearly had an impact on performance and Masood believes that not holding First Gulf was the single biggest detractor to returns. The team also continued holding Etisalat (also known as Emirates Telecom) at half the previous weighting. The reduced exposure to Etisalat mainly explains the fund's lower top-10 concentration, which moved from 96% last year to 84%.

Compared to the pan-regional fund run by Masood, the raising of cash has been more limited and reached a maximum of 20% during the Q2 2009 when the team repositioned the portfolio for a correction. Following market rises this was quickly reversed and the risk profile of the fund was increased by adding to some real estate names (Emaar and Aldar) and through the likes of DFM, the Dubai stock exchange.

Not holding First Gulf Bank has hurt performance, and the fund is now lagging its benchmark since inception and over one and three years. However, if analysed in terms of calendar year returns, the fund did outperform its benchmark in both 2006 and 2007. Performance during the credit crisis was good, helped by the large positions in telecoms and utilities. The move to first underweight and then gradually go back into real estate has also added value.

In 2008, the fund benefited from an underweight in financials but was hurt by maintaining an overweight in energy and capital goods. The fund was also penalised by the decision to keep lower levels of cash than most peers. Stock selection in 2007 was strong, in particular Etisalat and Arabtec.

Cumulative performance



Portfolio characteristics

No. of holdings	13
Turnover ratio (%)	50
% in top 10	84

Asset allocation (01/09/09)

	%
Cash	3.5
Energy	4.7
Financials	53.4
Industrials	11.6
Materials	5.4
Telecommunications	12.2
Utilities	9.2

Top 10 holdings (01/09/09)

	%
Emaar Properties	16.6
Emirates Telecommunication	12.2
Abu Dhabi National Energy	9.2
Dubai Financial Market	9.2
Aldar Properties	7.8
Dubai Islamic Bank	7.8
Ras Al Khaimah Cement	5.4
Islamic Arab Insurance	5.3
Air Arabia	5.1
Arabtec	5.1

* In top 10 holdings a year ago

Discrete performance (calendar years)

	2005		2006		2007		2008		YTD 31/08/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund			-42.3		50.2		-72.7		30.2	
Index**			N/A		51.7		-71.2		36.6	

** S&P U.A.E. BMI

Fund benchmark: MSCI UAE Domestic Index

Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
Acc Registered for sale	5.00	5	1.50	1.56	10000	1000	N/A
		Bahrain, United Arab Emirates					

Symbols and definitions

Long-only fund ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and performance consistency of the management team and/or approach as compared to funds with similar objectives.

AA 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.

A 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.

Fund-of-hedge-fund ratings

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

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Absolute return fund ratings

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

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All fund ratings

NR Funds designated as NR (Not Rated) currently do not meet the requisite performance standards and/or the minimum qualitative criteria.

UR Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

New Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of the highest quality fixed-income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or liquid securities.

V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.

10/14/2008

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