

INVESTMENT STYLE

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

Please see page 2 for required research analyst certification disclosure.

Peer Group:

Equity Qatar

Fund Manager/Adviser:

Ibrahim Masood (since launch)

Location:

Dubai

Launch Date: June 2005

Fund Size (November 2008):

US\$13m

Group Contact No:

+971 4207 8535

Website:

www.mashreqbank.com

S&P ID Number: N/A



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

STANDARD & POOR'S OPINION (DECEMBER 2008)

This single country fund looks for long-term capital appreciation by investing in stocks listed on the Doha Stock Exchange in Qatar. It aims to outperform the MSCI Qatar index and peers over the same horizon. The investable universe available to fund manager Ibrahim Masood is limited not only by the narrowness of the Qatari stock market but is reduced from around 20 or so stocks to just 11-12 by liquidity screens, further constraining stock choices.

The fund is run in an index-aware fashion; the manager has little room for manoeuvre other than determining stock over- and underweights against the benchmark. Those decisions are driven by the team's bottom-up stock views, which emphasise quality of management and attention to fundamentals (and here, especially, relative valuations).

Masood, who has over 13 years' experience of the region, heads the now eight-strong team of three fund managers (including himself) and five analysts

(all generalists) who run Middle East & North African funds. Specific day-to-day assistance on this fund is provided by Reda Goma, who has three years as co-manager on this fund and analytical experience. After broadly in-line performance 2005 to 2007, the fund has, unsurprisingly, struggled in 2008 as it faced significant redemptions as international investors reduced what was for them an off benchmark asset allocation bet. Outflows and market falls have caused the fund to shrink to a third of its 2007 size. Performance has further been affected by the fund's overweight position in banks.

Investors should note the constrained nature of the fund, and that its volatility and risk profile is considerably higher than that of more broad-based mandates. That said, the clarity of investment approach and the experience of the team in the region lead to the fund retaining its S&P A rating.

FACT FILE

Group: Mashreqbank is the largest privately owned bank in the UAE and the only one present in all the seven emirates. Its activities encompass retail, corporate, investment banking, treasury, capital markets and financial institutions. The bank has recently started to expand outside the UAE.

Team: The eight-strong team is led by Masood. It focuses exclusively on the Middle East & North Africa region and manages assets of around \$350m.

Fund Manager: Masood has over 13 years' investment experience and has managed all the Makaseb funds since launch. He is assisted in day-to-day management of the fund by co-manager Goma.

Style: An actively managed yet index-aware portfolio of Qatari-listed stocks. The portfolio is highly concentrated and built from the bottom-up.

Past performance: Since inception in June 2005 to the end of October 2008, the fund returned -42.6%, underperforming the MSCI Qatar index, which itself fell -36.3%.

FUND MANAGER & TEAM

Ahmed joined in 2004 from Citigroup to set up and head Mashreqbank's asset management business. Team CIO Masood, the named fund manager on all funds, heads a team that comprises two further fund managers and five analysts. 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 Goma - 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.

Junaid Farooq - CFA, started his career in 2003 as an analyst, first in equity research then in the corporate finance division of Global Securities Pakistan. He joined the group in October 2005.

Imran Ahmed - head of asset management - BA (Occidental College, CA), started his career in 1988 at Standard Chartered in Pakistan before moving to Citibank, then Bank of America. He then moved back to Citibank (in Singapore and London) where he was a senior portfolio manager, before joining the group in 2004.

PORTFOLIO CHARACTERISTICS

No. of holdings	10
Turnover ratio (%)	10
% in top 10	100

TOP 10 HOLDINGS (01/11/08)

	%
Industries Qatar	19.6
Qatar National Bank	15.8
Commercial Bank of Qatar	14.8
Qatar Telecom (Q-Tel)	13.1
Doha Bank	10.7
Qatar Islamic Bank	9.0
Qatar Electricity & Water	7.5
Qatar Real Estate	4.1
Qatar Fuel	2.9
Masraf Al Rayan	2.5

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/11/08)

	Fund %
Cash	0.0
Energy	2.9
Financials	57.5
Industrials	19.0
Telecommunications	13.1
Utilities	7.5

MAKASEB QATAR EQUITY FUND

Peer Group: Equity Qatar



MANAGEMENT STYLE

• This single-country fund aims to outperform both its MSCI Qatar index benchmark and similar Qatari funds.

• The universe of around 20 companies, most of which are part of the benchmark, is screened for liquidity and narrowed down to a list of 11-12 investable companies. The team focuses on companies with organic growth, quality of earnings and attractive valuations (P/E and P/B ratios). Meeting company management is also important and top-down thematic considerations are of some use, although on this fund there is less scope for it. Compared to the Arab Tigers Fund also run by the team, the focus is more on relative valuations.

• Portfolio construction is benchmark aware and, given the narrowness of the stock universe, tends to be highly concentrated. Risk controls are common sense and include limiting the maximum exposure to each individual holding to one-third of the average daily liquidity, assuming a three-day liquidation period. The fund's exempt status means there are no position limits for individual stocks.

• Cash tends to be managed less actively than on the Arab Tigers Fund; sector deviations against the benchmark are also more controlled. Turnover is typically low.

PORTFOLIO REVIEW

The fund saw severe outflows during the review period as international investors reduced what for them was an off-benchmark asset allocation position. Some of the outflows were relatively lumpy and, while the managers tried to minimise the impact on the fund by selling across the board, portfolio composition was affected. These outflows, combined with the market's fall, led to the fund shrinking from \$40m last year to \$13m.

At review the fund held 10 stocks, although with a slightly greater spread of weightings

than previously. The top two holdings accounted for 34% of the total against 48% at last review, due to the reduction in the Industries Qatar position from 32% to 20% (to answer redemptions). However, it remained the top active position. Cash was 0%. The fund continued to avoid Qatar Gas Transport Nakilat (11% of the index), which meant the fund remained significantly underweight energy stocks. The overweight to banks remained, with five of the 10 holdings in that sector.

PERFORMANCE ANALYSIS (NOVEMBER 2008)

From launch in June 2005 to end-October 2008, the fund lagged its benchmark MSCI Qatar index, returning -42.6% against the index's -36.3%. It had a poor start in 2005, when the team's more valuation-aware focus failed to keep up with the strong speculative rally prompted by the decision to open the market to international investors. However, in 2006 relative returns picked up despite remaining negative in absolute terms. This was followed by a solid in-line performance in 2007 with returns of 47%.

Unsurprisingly, the fund struggled in the difficult market conditions of 2008 and, given the scale of the redemptions and forced selling, the managers have

done well to limit the fund's underperformance against the index (-33.7% against the benchmark's -30%). Within the portfolio, the overweight to banks has proven negative, led by the recent weakness of Commercial Bank of Qatar. Industries Qatar was also hit as investors looked to reduce commodities related exposure, and the fund's continuing overweight stance here (albeit reduced from last year) also hurt. One of the few resilient areas was telecoms, where Qatar Telecom (although down in absolute terms) outperformed on a relative basis.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004	2005	2006	2007	YTD 31/10/2008
	%	%	%	%	%
Fund			-39.1	50.4	-34.0
Index**			-38.7	35.4	-28.8

** S&P/IFCG Qatar

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