

Mashreq Al Islami Income Fund (MAIIF)

Fund Description

The Fund seeks to achieve average annual returns of 5-7% per annum over the life of the Fund. The Fund invests primarily in Sukuk and other fixed income Shariah compliant assets.

Fund Manager's Commentary

Asset class benefits from benign market environment

Emerging Market (EM) fixed income (FI) asset class maintained positive momentum in February. A combination of supportive global investor sentiment, stable government bond yields and improving EM fundamentals translated into positive returns for the asset class. All segments of Emerging Market Fixed Income (EMFI) asset class generated positive returns with high yield (HY) outperforming investment grade and EM hard currency sovereign debt outperforming EM local currency sovereign debt. Middle Eastern (ME) bonds also generated positive returns during the month however ME bond returns lagged the returns generated by the broader EMFI asset class. ME Sukuks ended the month higher as well although the asset class generated lower returns compared to the broader ME index. ME Sukuk index has a lower HY component compared to ME index and hence generated lower returns.

During December, share class "B" increased by 0.8% MoM, (+1.6% YTD) while class "D" increased by 0.7% (1.4%) YTD.

We added to Kuwait exposure during the month. In our view, the upcoming Kuwait debut Eurobond should increase investor appetite for Kuwait fixed income assets and Kuwaiti Sukuk issuers should benefit as a result. We also added to duration during the month as in our view, upside to interest rates will be capped in the near term.

During the month, Government of Hong Kong, Dubai Islamic Bank, Equate Petrochemicals and Warba Bank from Kuwait issued Eurobonds. New issues were well received by the market. New issue pipeline remains healthy going forward. Saudi Arabia, Kuwait and ACWA Power are some of the issuers which have announced their plan to raise funds through sukuk issuance.

Despite recent rally, we continue to see a supportive environment for EM fixed income and for sukuk bonds. Many EM Corporates still offer a significant yield advantage to their developed market counterparts without a commensurate increase in risk. We expect default rates to remain stable over the coming year which should provide further support to EMFI asset class in general and to Sukuk bonds in particular.

The fund's average rating is BBB-, average yield was at 4.0% and duration low at 4.16 years with the average maturity being 5.4 years.

Fund Returns

	MTD	YTD	1 Year	3 Years	5 Years	SI	
MAIIF B Shares	0.79%	1.57%	4.71%	11.77%	29.42%	64.53%	
MAIIF DI Shares	0.72%	1.41%	3.67%	8.40%	NA	12.38%	
MAIIF DA Shares	0.72%	1.41%	3.67%	8.47%	NA	12.28%	
2010	2011	2012	2013	2014	2015	2016	
MAIIF B Shares	9.17%	7.51%	13.87%	2.07%	6.17%	1.94%	3.72%
MAIIF DI Shares	-	-	0.72%	1.05%	5.06%	0.93%	2.68%
MAIIF DA Shares	-	-	-	1.63%	5.12%	0.93%	2.68%

Top Holdings

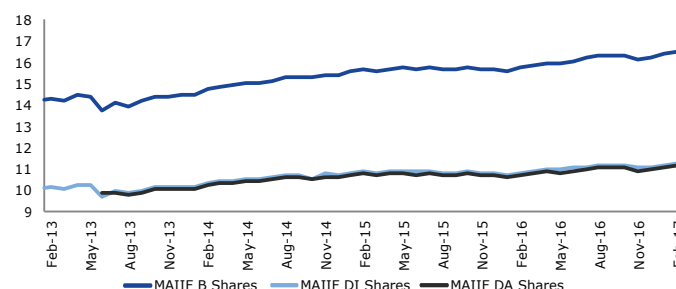
Dubai Islamic Bank PJSC	8.93%
DP World Crescent LTD	6.79%
Dubai Aviation Corp	5.43%
Emirates Islamic Bank PJSC	5.42%
Emirate of Dubai United Arab E	4.30%

Fund Statistics

Average Coupon	4.60		
Fund Rating	BBB-		
Average Maturity	5.36		
Average Yield	3.95		
Modified Duration	4.16		
	B Shares	DI Shares	DA Shares
CAGR Since Incep	6.56%	2.76%	3.21%
Volatility 1 year	1.44%	1.44%	1.44%
Volatility 3 year	3.04%	5.17%	3.03%
Sharpe Ratio - 1 year	1.94	1.21	1.21
Sharpe Ratio - 3 years	3.23	1.25	2.16

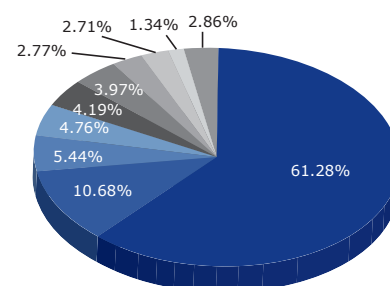
SI: Since Inception, MTD: Month to Date, YTD: Year to Date

Performance (Chart) for B shares



Regional Allocation

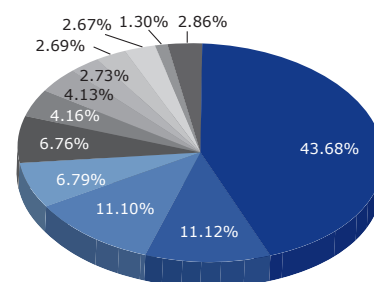
- United Arab Emirates (61.28%)
- Turkey (10.68%)
- Qatar (5.44%)
- Kuwait (4.76%)
- Pakistan (4.19%)
- Malaysia (3.97%)
- Indonesia (2.77%)
- Bahrain (2.71%)
- United States (1.34%)
- Cash (2.86%)



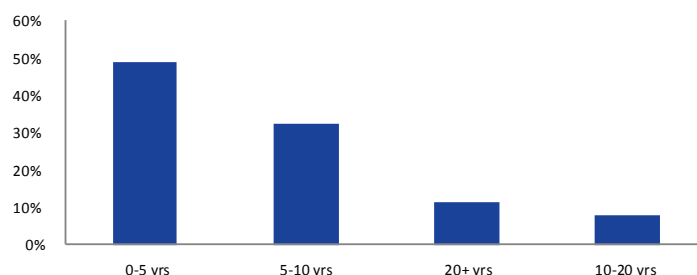
*UAE Emirates Airline financing with UK export agency guarantee

Industry Allocation

- Financial (43.68%)
- Industrial (11.12%)
- Sovereign (11.10%)
- Consumer, Non-Cyclical (6.79%)
- Real Estate (6.76%)
- Airlines (4.16%)
- Consumer, Cyclical (4.13%)
- Telecommunication (2.73%)
- Basic Materials (2.69%)
- Diversified (2.67%)
- Utilities (1.30%)
- Cash (2.86%)



Maturity Profile



Mashreq Al Islami Income Fund (MAIIF)

Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
B Shares													
2017	0.77	0.79	-	-	-	-	-	-	-	-	-	-	1.57
2016	-0.35	0.96	0.60	0.60	0.03	0.82	0.87	0.65	-0.01	0.16	-1.16	0.51	3.72
2015	1.22	0.59	-0.32	0.85	0.21	-0.60	0.55	-0.54	0.09	0.51	-0.74	0.11	1.94
2014	0.12	1.89	0.75	0.21	0.67	0.10	1.00	0.89	0.02	-0.10	1.05	-0.57	6.17
2013	0.17	0.48	-0.07	1.65	-0.46	-4.48	2.35	-1.02	1.72	1.64	-0.04	0.29	2.07
2012	0.82	1.10	1.13	0.51	1.09	1.55	1.76	0.81	0.43	1.57	0.90	0.93	13.87
2011	1.82	-0.69	2.25	1.69	2.07	-0.07	0.75	-0.56	-1.16	1.49	-1.46	1.72	7.51
2010	-0.02	-0.87	4.15	0.69	-1.94	0.94	1.93	1.47	1.89	0.67	-0.95	0.98	9.17
2009	-	-	-	-	-	-	-1.52	2.12	3.30	3.40	0.96	-2.46	10.51
DI Shares													
2017	0.69	0.72	-	-	-	-	-	-	-	-	-	-	1.41
2016	-0.44	0.88	0.52	0.52	-0.06	0.74	0.78	0.56	-0.09	0.07	-1.24	0.42	2.68
2015	1.14	0.51	-0.41	0.77	0.12	-0.68	0.47	-0.63	0.00	0.43	-0.83	0.03	0.93
2014	0.04	1.82	0.66	0.13	0.59	0.01	0.90	0.80	-0.06	-1.85	2.67	-0.65	5.06
2013	0.08	0.40	-0.14	1.55	-0.54	-4.56	2.27	-1.10	1.63	1.55	-0.12	0.20	1.05
2012	-	-	-	-	-	-	-	-	-	-	-	0.72	0.72
DA Shares													
2017	0.69	0.72	-	-	-	-	-	-	-	-	-	-	1.41
2016	-0.44	0.88	0.52	0.52	-0.06	0.74	0.78	0.56	-0.09	0.07	-1.24	0.42	2.68
2015	1.14	0.51	-0.41	0.77	0.12	-0.68	0.47	-0.63	0.00	0.43	-0.83	0.03	0.93
2014	0.04	1.82	0.66	0.13	0.59	0.01	0.90	0.80	-0.06	-0.17	0.96	-0.65	5.12
2013							-1.41	-1.10	1.63	1.55	-0.12	0.20	1.63

Fund Details

Fund size	USD 78.77 million	Zawya Code	MAKBIIF.IF
Fund Type	Shariah Compliant Open Ended Fund.	Lipper ID	Class 'B' Shares - 68121746 Class 'D' Shares - 68200829
Inception Date	June 09,2009	Minimum Subscription	Class 'B' Shares - USD 10,000 and in multiples of USD 1,000 thereafter; Class 'D' Shares - USD 3,000 and in multiples of USD 500 thereafter.
Domicile	DIFC, Dubai	Subscription Fee	Class 'B' Shares - Up to 2% Class 'D' Shares - Up to 5%
Currency	USD	Performance Fee	NIL
Benchmark	None	Management Fee	Class 'B' Shares - 0.50% Class 'D' shares - 1.00%
Fund Manager	Mashreq Capital (DIFC) Limited	Redemption Fee	None
Valuation Day	Each Business Day	Settlement for Subscriptions	2 Business Days prior to Dealing Day
Dealing Day (Subscription/Redemption)	Each Business Day	Settlement for Redemption	5 Business Days after the Dealing Day
ISIN	Class 'B' Shares - AEDFXA1T6467 Class 'D Income' Shares - AEDFXA1T6483 Class 'D Accumulation' Shares - AEDFXA1W2ZD7	Notice Periods	2 Business Days each for Subscriptions and Redemptions
Bloomberg Ticker	Class 'B' Shares - BADISIN Class 'D Income' Shares - BADISID Class 'D Accumulation' Shares - BADISDI		

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