

## Fact Sheet for May 2007

### Executive Summary

Fund Type	Open-End Fund
Domicile	Bahrain
Currency	US Dollar
Regulator	Central Bank of Bahrain
Net Asset Value	Each Sunday and Wednesday
Subscription	Each Monday and Thursday
Redemption	Each Monday and Thursday
Management fee	2% p.a.
Investment Manager	Mashreqbank psc
Share Registrar	Keypoint Consulting W.L.L., Bahrain
Administrator	Gulf Investment Corporation
Custodian	Gulf Investment Corporation
Auditor	Deloitte & Touche
Primary listing	Bahrain Stock Exchange

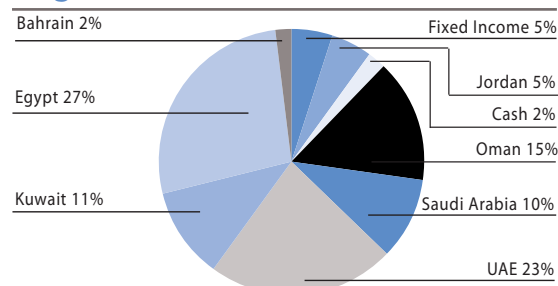
### Performance Summary

	Arab Tigers Fund	MSCI Arabian Index
NAV (May 30, 2007)	USD 9.73	
May 2007	5.4%	7.4%
April 2007	1.6%	-1.7%
March 2007	0.7%	-0.3%
February 2007	3.9%	6.8%
Since Inception(Nov 22, 2005)	-2.7%	-31.8%

### Top 5 Holdings

Stock	Weight
Emaar Properties PJSC	14.0%
Orascom Telecom	6.1%
Hikma Pharmaceuticals PLC	5.4%
PCFC Development	5.3%
EFG-Hermes Holding SAE	5.1%

### Region Allocation



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ISIN: BH000A0J3RQ8

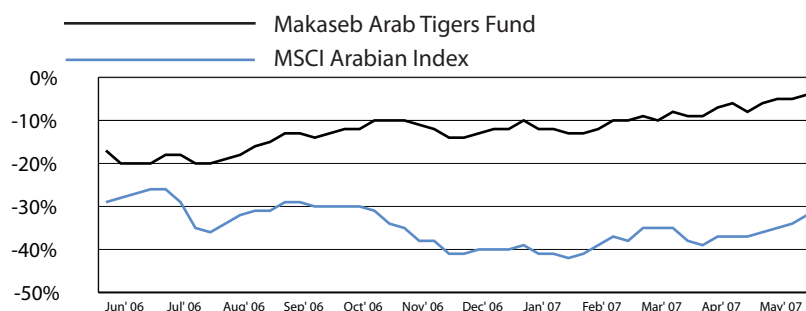
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### Investment Philosophy

Makaseb Arab Tigers Fund (MATF) aims to achieve long term capital appreciation through investing mainly in shares of companies listed on the Stock Exchanges of the Middle East and North Africa region.

### Performance Chart



### Overview and Outlook

May was a good month for GCC equity markets as all GCC markets closed the month in positive territory with markets in Abu Dhabi, Dubai and Doha taking the lead. However, the month did not fare well for some of the North African markets with the exception of Egypt.

Region	Markets	Performance	
		Month to date	Year to date
GCC	Dubai	17.7%	8.5%
	Abu Dhabi	18.4%	21.5%
	Qatar	14.5%	5.4%
	Kuwait	7.3%	14.1%
	Oman	5.1%	9.7%
	Bahrain	9.6%	6.8%
	Saudi Arabia	1.6%	-5.6%
North Africa	Jordan	-5.1%	2.7%
	Morocco	-7.0%	18.4%
	Egypt	5.5%	16.6%
	Tunisia	-1.8%	9.6%
	Lebanon	1.5%	4.3%

Source: Bloomberg. All shares indices used in calculation where available  
MTF: April 29, 2007 - May 30, 2007  
YTD: December 27, 2007 - May 30, 2007

Your fund earned a return of 5.4% during the month falling short of the benchmark MSCI Arabian index return of 7.4% by 2.0%. Almost all of the Fund's under performance can be explained by the absence of Mobile Telecommunication Company in the portfolio which unfortunately the benchmark has plenty (8.03% as of May 30 2007). This underweight position resulted in underperformance of approximately 1.9% during the month. Following table presents a break down of fund's return attribution from various markets during the month.

Markets	MATF	Benchmark	Performance
United Arab Emirates	3.7%	1.9%	1.8%
Qatar	0.0%	0.8%	-0.8%
Kuwait	0.5%	3.7%	-3.2%
Oman	0.3%	0.0%	0.3%
Bahrain	0.8%	0.1%	0.6%
Saudi Arabia	-0.5%	0.8%	-1.3%
Jordan	-0.3%	-0.2%	-0.1%
Morocco	0.0%	-0.3%	0.3%
Egypt	0.9%	0.5%	0.4%
<b>Return during the month</b>	<b>1.6%</b>	<b>7.4%</b>	<b>-2.0%</b>

Note: Period: April 29 2007 - May 30 2007

## Fact Sheet for May 2007

### Overview and Outlook

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A discussion on the current month's performance is in order. Our overweight on the UAE finally started to bear fruit after an excruciating phase of consolidation. However, the bellwether stock – Emaar – is still trading at a significant discount to its fair value. This has raised some doubts about the sustainability of current rally. In the absence of any catalyst (read disclosure on its land deal with Dubai Holdings) we expect to see more volatility and less return from the stock in the short term. However, we are still fairly bullish on the company and expect the stock price to mirror its financial performance. It is pertinent to mention that during the current rally in the UAE, some of the leading stocks have reached their fair value estimates and thus a repeat performance in the subsequent months is unlikely.

Moving on to Qatar, we have for some time struggled to find place for stocks in Qatar in a regional fund like Arab Tigers. This is primarily because of the limited size of the market, small population base with limited domestic demand and the fact that whatever is available in Qatar can be found elsewhere at a better price with improved business prospects. An analysis of the current month's performance of Qatari equities in the benchmark reveals that almost half of the return (0.4% out of 0.8%) came from four banks in Qatar and the remainder came from an industrial conglomerate. With the current expansion in the LNG capacity in Qatar, banks are expected to benefit from second level project financing opportunities (funding to the subcontractor). However, with massive oil & gas investments taking place in the entire Gulf, there are bigger well capitalized banks providing first level project financing and are also witnessing a boom in retail lending in their respective markets. Similarly, the industrial conglomerate – Industries Qatar loses out to Saudi Basic Industries as the cost advantage and synergies of the later are nearly unmatched – even in the global context.

In Kuwait, Mobile Telecommunications Company, has been one of the top five holdings of our fund since the fund's inception. MTC has seen one of the strongest rallies in regional equities in recent times. Since November of last year, the stock has never had a negative month with each new month's return dwarfing the earlier. Last month, we closed our position based on two factors; a) the stock price reached our fair value estimate b) MTC's excessive bid of over \$6bn for third Saudi Mobile license which we perceived to be value destructive. Since, that time the stock has appreciated by over 30%. Needless to say, the stock is well within the domain of richly valued securities – getting richer by the day. However, buying frenzy in the stock is fueled by speculations of Saudi Telecom taking 25% - 30% stake in the company (Both Saudi Telecom and MTC have denied the news). We would refrain from commenting on the perceived value from the deal as *modus operandi* is unknown (will it be a capital injection or exit by some existing shareholder?) However, MTC as an asset is clearly overvalued for minorities (large and small without control of the entity) and only the current speculative news flow is keeping the stock high.

Lastly, Saudi Arabia is still going through a consolidating phase. Its positive return contribution in the benchmark return is mainly due to two stocks – Saudi Basic Industries and Saudi Telecom, both of which are missing from our portfolio. Saudi Basic Industries is a commodity producer operating at the peak of its cycle and in a period witnessing huge capacity additions globally in the downstream petrochemical sector. It would be a mistake to value the company at its current earnings level and margins as sustainability of the later are doubtful. The second stock – Saudi Telecom has seen continuous erosion in its market share for wireless services, margins and profitability. The first quarter 2007 financial performance was a testimony to the heightened level of competition in the Saudi mobile market. With the auction of the third mobile license, this situation can only get worse. Empirical evidence from markets where telecommunications was liberalized suggests that incumbents are usually on the losing side. With competitors like Etihad Etisalat and MTC, we find no reason this would be otherwise.

During the month, our selected stocks in Saudi Arabia performed poorly and contributed loss and underperformance. Months of decline has uncovered lucrative investment opportunities in Saudi equities. We plan to selectively increase our exposure to Saudi Arabia.

Overall, we have seen gradual shift in investor sentiment in the region which is good news. This situation becomes all the more encouraging with strong foreign flows coming into regional equities. The downside being increased susceptibility to trends in emerging and developed markets but for the time being, we remain optimistic.

Issued on June 07, 2007