

Named portfolio manager(s):

Ibrahim Masood (since launch) / Team

Peer group: MENA

Location: Dubai

Launch date: November 2005

Fund size (September 2009): US\$32m

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	-17.1%	%
Index**	N/A%	%

Note: returns are cumulative

Standard & Poor's opinion (December 2009)

The last 12 months have been fairly eventful not only for the financial markets but also for this team which has seen the departure of several key members. As a result of this, fund manager Ibrahim Masood (14 years' experience) has now become head of the asset management division. Although he has help in performing the new tasks, we are disappointed to see that Junaid Farooq, who was the day-to-day manager of this portfolio, has also left. This has further added to Masood's workload and additional resources are at this point greatly needed. Farooq's role on this portfolio has been taken by Reda Gomaa who has been part of this team since October 2005 and has so far overseen the single country portfolios.

While performance against the benchmark has been good, if compared to peers in the region, the fund has gone through a challenging period. This was first the result of the decision not to raise cash in a peer group while most competitors overwhelmingly resorted to using this additional flexibility. Furthermore, a couple of calls to adjust the portfolio beta in mid-2008 and Q2 2009 proved unsuccessful and uncharacteristic for what is primarily a team of stockpickers.

We are comforted to see that the team has reaffirmed its conviction in the process, and continues to manage the fund according to best-in-class standards of practice. However, our concerns on Masood's significantly increased responsibilities and the instability of the team lead the rating of the fund to slip one band to an S&P A.

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

The fund can invest in the whole of the MENA region and is run to outperform the MSCI Arabian Market index and peers over the long term.

The universe of about 1,700 names is reduced by liquidity screens to around 250 investable companies with over \$250m market cap. The team targets companies with organic growth, quality of earnings, attractive valuations and strong management; meeting companies is deemed important.

The portfolio is built primarily bottom-up and on conviction but at times in the past the manager did reflect his market view and altered the shape of the portfolio accordingly. Portfolio construction is aware of the benchmark and ideally a 2.5% overweight is sought in each stock held. The goal is to select the best of breed per sector. Sector and country weightings are a by-product of stock selection, but a broad diversification is sought.

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 retail status limits individual stock weights to 10% at purchase.

Cash may be actively managed. Up to 10% of the fund may be in bonds.

MAKASEB ARAB TIGERS FUND

Bahrain domiciled open-ended investment fund

Fund owner: Mashreqbank

Fund manager: Mashreqbank

STANDARD & POOR'S



Portfolio & performance analysis (September 2009)

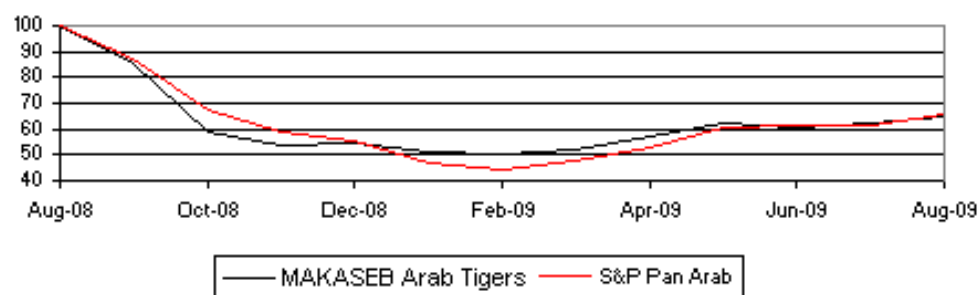
Masood remains cautious on the prospects for the regional markets and still holds considerable cash in the portfolio. This follows his view that fundamentals do not merit the current valuations. Having raised cash after most peers during the financial crisis of 2008, he has largely maintained this more prudent stance. At the peak in Q2 2009, cash was around 30%.

Portfolio activity has nevertheless been higher than usual and turnover is estimated around 250%. This is confirmed by the fact that Emaar, Aldar and Air Arabia all figure as the fund's top three purchases and sales over the last 12 months.

At the country level, exposure to Oman and the UAE have been reduced significantly, the first from 6% last year down to zero, the latter from 23% to 14%. The fund has no holdings in Kuwait, on the view that both the bottom-up and macro are not compelling. Exposure to telecoms has been cut by selling both Orascom Telecom and Qatar Telecom. Etisalat in contrast, continues to be one of the favoured names. The bias towards consumers remains and is played through a combination of more defensive names such as Almarai as well as stocks in the discretionary segment such as Jarir Marketing. Within financials, Masood has gradually added to the position although very selectively through companies like Alinma Bank.

In terms of performance, the fund has achieved a strong record of returns against its benchmark. However, compared to peers, the decision to raise cash towards the end of 2008 proved late and led to some underperformance. A contrarian move to raise the exposure to Saudi financials also hurt. Furthermore, the more cautious stance adopted during Q2 and Q3 of 2009 has also led the fund to partly miss the rebound. This position was gradually reduced and has led to an improvement of relative returns from the summer of 2009.

Cumulative performance



Portfolio characteristics

No. of holdings	20
Turnover ratio (%)	250
% in top 10	56

Asset allocation (01/09/09)

	%
Cash	24.7
Consumer discretionary	10.2
Consumer staples	14.3
Energy	3.4
Financials	11.8
Healthcare	1.6
Industrials	14.5
Information technology	0.0
Materials	3.6
Telecommunications	12.2
Utilities	3.7

Top 10 holdings (01/09/09)

	%
Almarai	9.5
Jarir Marketing	8.7
Emirates Telecom	6.5
Fawaz Al Hokair	6.0
Savola	4.8
Alinma Bank	4.7
Etihad Etisalat	4.4
Orascom Development	4.2
Qatar Electric & Water	3.7
Red Sea Housing Services	3.6

* 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			-8.1		39.3		-51.3		18.6	
Index**			N/A		N/A		N/A		18.2	

** S&P Pan Arab index

Fund benchmark: MSCI Arabian Index

Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
Ord	5.00	5<0	2.00	2.79	1000	1000	N/A
Registered for sale		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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