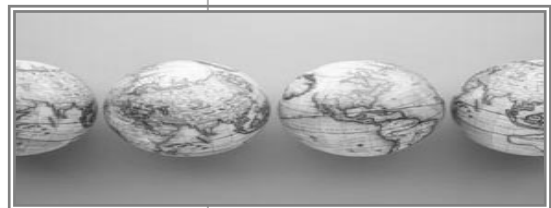


Monthly Commentary



October 2009

Mashreq Asset Management offers comprehensive investment solutions to meet your needs. For more information, please contact:

www.makaseb.com
contact@makaseb.com

Contents

Performance Data
Manager's Commentary
Strategy Performance Details
MENA in pictures

Manager's Commentary

The Long and Short of It... Part II

Continuing the discussion on long term returns from the last comment, markets in the MENA region have posted decent returns over the last 9 years (2 November 2000 through to 2 November 2009).

Exchange	Companies	Market Cap Beg (USD Mn)	Market Cap End (USD Mn)	Annual Return	Rank
Qatar	1	10	296	45.2%	1
Jordan	33	4,510	23,783	20.3%	2
Dubai	1	1,653	6,965	17.3%	3
Kuwait	43	20,087	76,903	16.1%	4
Oman	16	2,444	9,294	16.0%	5
Egypt	92	14,998	49,919	14.3%	6
Morocco	42	11,071	35,993	14.0%	7
Lebanon	5	2,110	6,723	13.7%	8
Tunisia	23	2,508	6,668	11.5%	9
Saudi Arabia	57	80,107	203,973	10.9%	10
Bahrain	11	4,323	9,350	9.0%	11
Palestine	2	667	1,290	7.6%	12
	326	144,486	431,159	12.9%	

Although most investors balk at the prospect of investing for the long term, long term returns are important in evaluating the true potential of the asset class. Over the same period, returns compare quite favorably to the rest of the emerging market universe, and the BRIC markets (all returns in USD, so generally higher compared to the local currency returns).

Market	Annual Return
Brazil	17.2%
China	5.0%
India	17.0%
Russia	23.0%
MSCI EM	-5.7%

Overall, investors have done reasonably well by investing in MENA over the past 9 years. Returns in developed markets have been worse over the same period, so on a relative basis any allocation to MENA equity markets has added to performance. Within MENA, ignoring some markets like Qatar, Dubai, Lebanon, and Palestine which only had a few companies with data going back to 2000, the rest of the group makes quite interesting reading. Kuwait returning over 16% a year (price returns only, so total returns would be higher) comes as a bit of a surprise. This is because among the region at present, Kuwait perhaps has the most inferior macro fundamentals at present (paralyzing politics, high focus on current expenditures, serious challenges for the financial services sector) yet it has been the best performer over a long period of time. A few possible explanations come immediately to mind; first, Kuwait has had a long history of institutional investment domestically, all the way from the sovereign wealth fund down to private institutions. Hence a certain portion of government revenues (read oil revenues) do get recycled back to the domestic capital markets. Second, Kuwait is perhaps the region's equivalent of Japan's Keiretsu phenomenon (the successor to the pre world war II Zaibatsus). With significant ultimate concentration in terms of ultimate ownership of businesses and listed companies, the incidence of cross holdings has been quite high. The whole investment companies sector is evidence of this very fact; the demise of almost the whole sector would suggest that the next decade would be very different for the Kuwait equity market.

The rest of the table is again impressive, with the lowest ranked Bahrain also positing a 9% return per annum; almost double that of China over the same period. A look at the sector returns is also very interesting.

Sector	Companies	Market Cap Beg (USD Mn)	Market Cap End (USD Mn)	Annual Return	Rank
Technology	2	2,819	16,915	22.0%	1
Basic Materials	29	20,050	87,778	17.8%	2
Industrials	66	13,356	51,383	16.1%	3
Financials	140	73,731	219,150	12.9%	4
Consumer Goods	43	5,645	16,731	12.8%	5
Telecommunications	5	5,701	15,652	11.9%	6
Consumer Services	19	2,328	4,935	8.7%	7
Oil & Gas	9	2,076	3,800	6.9%	8
Health Care	11	1,827	2,030	1.2%	9
Utilities	2	16,953	12,783	-3.1%	10
	326	144,486	431,159	12.9%	

The three largest sectors, Materials, Industrials, and Financials have all delivered returns at par with the broad region or better. Financials, the group the closest to the largest non oil sector in the economy, has performed in line with the region. The infrastructure build out in the region is reflected in the superior performance of the Basic Materials sector. Industrials have done well on the back of solid global economic growth. Non cyclical sectors have not done well in the strong growth environment that has characterized the past 9 years; consumer goods, consumer services, telecoms, and health care have all lagged the broader region. The underperformance of oil & gas is counter intuitive, but is perhaps explained by the lack of pricing power and regulated profitability of these companies.

Another interesting aspect of this period is the size effect. The difference between the returns for the top and bottom 25% (in terms of size as measured by market capitalization) is startling.

	Market Cap Beg (USD Mn)	Market Cap End (USD Mn)	Annual Return
Top 25%	123,538	352,470	12%
Bottom 25%	1,519	9,070	22%

The smallest 25% companies have outperformed the largest 25% by a whopping 10% per annum! What this means is that while the larger companies have posted a total return of 185%, the smaller group has returned 497%. The differential is significant enough (and persistent as well, as shown later) to merit further investigation. The most obvious explanation for small cap outperformance would seem to be under pricing of the growth prospects for these firms due to the risks associated with smaller firms; this could be because investors believe smaller firms have a higher probability of failure, or simply because the smaller companies are not very well know and followed.

Though the 9 year performance is very respectable for all regional markets, the last 5 years are a different story.

Exchange	Companies	Market Cap Beg (USD Mn)	Market Cap End (USD Mn)	Annual Return	Rank
Egypt	171	21,928	68,518	25.6%	1
Lebanon	6	2,231	6,809	25.0%	2
Morocco	46	13,622	38,388	23.0%	3
Tunisia	23	2,403	6,668	22.6%	4
Oman	19	5,304	10,323	14.2%	5
Palestine	2	712	1,290	12.6%	6
Jordan	38	14,686	26,125	12.2%	7
Qatar	28	39,413	60,428	8.9%	8
Abu Dhabi	36	43,548	58,530	6.1%	9
Kuwait	53	61,113	80,160	5.6%	10
Dubai	10	17,828	19,161	1.5%	11
Saudi Arabia	69	270,848	236,991	-2.6%	12
Bahrain	13	13,727	11,532	-3.4%	13
	514	507,361	624,923	4.3%	

Egypt is the clear winner over the last 5 years, benefitting from a reasonable starting point for valuations for this period. Markets which were in bubble territory in November 2000 have all performed modestly; basically the whole of the GCC with the exception of Oman, which was relatively reasonably valued 5 years ago. Some markets like Morocco and Tunisia are surprise winners, as these markets have remained quite expensive over this period; their sustained performance merits further study.

Market	Annual Return
Brazil	11.4%
China	10.0%
India	12.0%
Russia	8.2%
MSCI EM	-0.2%

Again, as a whole the region compares favorably with the Emerging Markets Universe, as well as individual markets. The size effect evident in the longer time period is consistent over the last 5 years as well.

	Market Cap Beg (USD Mn)	Market Cap End (USD Mn)	Annual Return
Top 25%	447,510	509,256	3%
Bottom 25%	2,106	7,597	29%

The outperformance of smaller firms is even more significant over this period; compared to a total return of just 14% over the period for the larger firms, the smaller group has returned 261%. However it must be noted that this data is not screened for factors like liquidity and free float; perhaps some of this difference can be explained away by these factors. This size effect is strong enough to warrant further analysis, as this would appear to be a remarkably simple strategy for adding alpha. Experience would suggest that things are rarely this simple; keep watching this space for more on this.

	Companies	Market Cap Beg (USD Mn)	Market Cap End (USD Mn)	Annual Return	Rank
Technology	3	6,385	16,936	22%	1
Consumer Goods	62	10,585	19,140	13%	2
Oil & Gas	11	2,818	4,809	11%	3
Health Care	18	2,057	3,319	10%	4
Consumer Services	43	7,310	11,688	10%	5
Financials	226	230,125	311,229	6%	6
Industrials	97	59,458	79,096	6%	7
Basic Materials	41	75,440	92,693	4%	8
Telecommunications	9	79,190	70,465	-2%	9
Utilities	4	33,993	15,548	-14%	10
	514	507,361	624,923	4%	

The 3 largest top performers in the earlier table, Financials, Basic Materials, and Industrials have all performed modestly over this smaller time frame. Surprisingly, utilities and telecoms have been laggards, which seem counter intuitive at first glance. However the utilities return is dominated by Saudi Electricity, which has been plagued by an unfavorable pricing regime which seriously compromises the profitability of the company. From the astronomical valuations of 2005, the company has almost halved in value, dragging down sector returns as well.

Both medium and longer term returns clearly demonstrate the potential of the MENA asset class. Returns have been comparable to other emerging markets, including the BRIC markets over both periods. This performance is impressive in that it has been achieved with a bulk of the region not being easily accessible to conventional offshore emerging market investors. Currently, valuations are at a slight discount to emerging markets, while margins and growth are somewhat superior (margins are also superior, even at the EBITDA level where lower taxes do not make an impact). As the region inevitably opens up to offshore investors, the coming 5 to 10 years are all set to be good ones too. We will explore the medium term prospects for the region in greater detail in the last issue in 2009.

Performance Data

MENA Equity Strategies/Benchmarks	Region	Total Return Net of Fees(%)				Annual Total Return(%)			
		Inception Date	October 2009	YTD 2009	YTD Value Added	2008	2007	2006	Since Inception
MEOF	UAE	6/26/05	0.7	69.4	9.6	-64.6	55.5	-44.5	-52.9
MSCI UAE Domestic*			4.1	59.8		-68.8	43.3	-44.5	-62.3
MEEF	UAE	2/8/05	-3.7	42.1	-11.3	-72.7	50.2	-42.3	-32.9
MSCI UAE Domestic*			-0.1	53.4		-68.8	43.3	-44.5	-27.0
MATF	MENA	11/22/05	-0.5	25.3	1.3	-51.2	39.0	-8.1	-24.8
MSCI Arabian Index			-1.8	24.0		-55.0	48.2	-40.7	-50.1
MOEF	Qatar	6/21/05	-3.3	8.3	5.3	-28.3	47.1	-39.2	-32.8
MSCI Qatar			-2.6	3.0		-28.3	47.3	-42.6	-32.7
MIF	MENA	3/29/06	2.0	13.3	-9.7	-21.7	3.2	2.2	-7.7
MEIGTR			1.4	23.1		-14.9	3.6	5.7	13.0
Mashreq ATF	MENA	8/26/08	-1.2	13.1	-12.6	1.0			14.2
MSCI Arabian Index			-0.5	25.7		-47.7			-34.2

* Performance difference is due to difference in last valuation date of the month for the Makaseb Emirates Equity Fund and the Makaseb Emirates Opportunities Fund.

Regional Indices	Country	Peak Date	Total Return(%)		Annual Total Return(%)			
			October 2009	YTD 2009	2008	2007	2006	Return since Peak
Saudi Tadawul Index	Saudi Arabia	2/25/06	-0.8	30.5	-56.5	39.1	-52.5	-69.6
MSCI Saudi Domestic Index			-0.3	34.3	-58.5	42.3	-52.3	
ADX General Index	Abu Dhabi	5/1/05	-3.2	26.5	-47.5	51.7	-42.3	-51.5
MSCI UAE Domestic Index			-0.1	53.3	-68.8	43.2	-44.5	
DFM General Index	Dubai	11/9/05	0.3	34.3	-72.4	43.7	-44.4	-74.1
MSCI UAE Domestic Index			-0.1	53.3	-68.8	43.2	-44.5	
Kuwait SE Index	Kuwait	6/24/08	-6.0	-5.6	-38.0	24.7	-12.7	-53.1
MSCI Kuwait Domestic Index			-8.7	6.8	-47.1	27.1	-8.5	
Doha Stock Mkt Index	Qatar	9/20/05	-3.8	3.6	-28.1	34.3	-35.5	-44.7
MSCI Qatar Index			-2.6	3.0	-28.3	47.3	-42.6	
EGX 30 Index	Egypt	5/5/08	3.0	51.6	-56.4	51.3	10.3	-41.6
MSCI Egypt Index			3.6	46.5	-54.0	49.6	14.3	
Muscat Sec. Mkt Index	Oman	6/11/08	-3.3	16.8	-39.8	61.9	14.5	-47.5
MSCI Oman Index			-3.2	19.9	-47.0	51.4	-10.0	
Bahrain SE Index	Bahrain	6/15/08	-1.8	-15.4	-34.5	24.2	1.0	-47.4
MSCI Bahrain Index			-2.8	-27.8	-54.9	15.5	3.4	
Morocco CSE Index	Morocco	3/13/08	0.7	-2.6	-10.5	25.9	57.4	-27.2
MXMA Index			-0.1	-5.2	-9.4	32.4	48.3	

Commodities	Peak Date	Total Return(%)		Annual Total Return(%)			
		October 2009	YTD 2009	2008	2007	2006	Return since Peak
Crude Oil	7/3/08	9.0	72.6	-53.5	57.2	0.02	-47.0
Gold	10/14/09	3.7	18.5	5.8	31.0	23.2	-2.3

Performance data quoted represents past performance and is not predictive of future performance. Returns are shown after deduction of all fees. The returns assume reinvestment of dividends and other income.

Sovereign Ratings	Standard & Poor's	Moody's	Fitch	EIU
Gulf Cooperative Council				
Kingdom Saudi Arabia	AA-/Stable/A-1+	Aa3/Positive	AA-/Stable/F1+	BBB/Stable
United Arab Emirates	AA/Stable/A-1+	Aa2/Stable	AA/Stable/F1+	BB/Stable
Qatar	AA-/Stable/A-1+	Aa2/Stable	NR	A/Stable
Kuwait	AA-/Stable/A-1+	Aa2/Negative	AA/Stable/F1+	A/Stable
Bahrain	A/Stable/A-1	Aa3/Negative	A/Stable/F1	BBB/Stable
Oman	A/Stable/A-1	Aa3/Stable	NR	A/Stable
Levant				
Jordan	BB/Stable/B	Baa3/Stable	NR	CCC/Stable
Egypt	BB+/Stable/B	Baa2/Stable	BB+/Stable/B	BB/Stable
North Africa				
Morocco	BBB/Stable/B	Baa2/Stable	BBB-/Stable/F3	BB/Stable
Tunisia	BBB/Stable/A-3	A3/Stable	BBB/Stable/F2	BB/Stable

Makaseb Arab Tigers Fund (NAV as at 31 October 09 - USD 7.51066)
Inception Date: 11/22/05; Benchmark: MSCI Arabian Market Index
Performance

	Total Return(%)		One Year	Total Return(%)		
	October 2009	YTD 2009		Two Year	Three Year	Since Inception
MATF	-0.5	25.3	16.9	-33.6	-16.6	-24.9
MXARM	-1.8	24.0	1.3	-36.3	-25.0	-50.0

	Annual Return(%)			
	2005	2006	2007	2008
MATF	-3.8	-8.1	39.0	-51.2
MXARM	1.8	-40.7	48.2	-55.0

Top Holdings(%)

Almarai Co.	9.3
Jarir Marketing Co.	8.2
Emirates Telecom Corporation	6.5
Al Hokair	5.4
Savola	5.3


Risk/Return Profile Since Inception

	Fund	Benchmark
Excess Return	25.1%	
Beta	0.49	
Sharpe Ratio	-0.7	-0.9
Skewness	-0.8	-1.6
Kurtosis	8.9	9.3
Std. Deviation	16.2%	22.6%

Risk/Return & Tracking

	vs Benchmark
R-Square	40.0%
Information Ratio	1.4
Treynor Ratio	-0.2
Tracking Error	18.2%
Correlation	0.6

Sector Weights(%)

Sector	Fund	Benchmark
Banks	4.8	33.0
Consumer Services	8.2	0.2
Materials	3.7	23.1
Transportation	2.7	2.6
Real Estate	10.1	7.7
Food Beverage & Tobacc	14.6	2.2
Capital Goods	7.5	5.8
Diversified Financials	4.6	3.9
Telecommunication	12.7	16.2
Energy	0.0	3.3
Utilities	3.4	1.6
Insurance	2.6	0.1
Commercial &	0.0	0.3
Pharmaceuticals, Biotech	1.6	0.0
Retailing	3.4	0.0
Cash	20.4	0.0
Total	100.0	100.0

Characteristics

	Fund
Div Yield	3.1%
P/B	3.0
P/E-1 yr	18.1
ROE	22.3%

Regional Weights(%)

	Fund	Benchmark
UAE	17.7	8.7
Saudi Arabia	44.8	46.7
Qatar	7.8	5.7
Egypt	9.3	8.8
Oman	0.0	2.1
Jordan	0.0	1.5
Bahrain	0.0	6.6
Kuwait	0.0	13.2
Lebanon	0.0	1.8
Morocco	0.0	4.6
Tunisia	0.0	0.3
Cash	20.4	0.0
Total	100.0	100.0

Source: Bloomberg, Mashreq

Performance Chart

Fund Strategy

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.

- The Fund lost 0.5% during the month. During the same period the benchmark MSCI Arabian Markets Index lost 1.8%
- Bulk of the relative performance differential is explained through our underweight in Bahrain & Kuwait and our sector allocation in Financials, Energy and Telecom

Fund Codes:

WKN: A0J3RQ
 ISIN: BH000A0J3RQ8
 Bloomberg Code: MAKATFD BI
 Zawya Code: MAKARBT.MF
 Reuters ID: LP65038280
 Lipper ID: 65038280

Makaseb Emirates Equity Fund (NAV as at 29 October 09 - USD 6.7121)

Inception Date: 02/08/05; Benchmark: MSCI UAE Domestic Index

Performance

	Total Return(%)		Total Returns(%)			
	October 2009	YTD 2009	One Year	Two Year	Three Year	Since Inception
MEEF	-3.7	42.1	-21.9	-59.2	-70.4	-32.9
MXAED	-0.1	53.4	-5.1	-50.5	-65.7	-27.0

	Annual Total Return(%)			
	2005	2006	2007	2008
MEEF	99.9	-42.3	50.2	-72.7
MXAED	92.1	-44.5	43.3	-68.8

Top Holdings(%)

Emaar Properties	20.7
Aldar Properties	12.7
Sorouh	10.5
Dubai Islamic Bank	10.2
Emirates Telecom Corporator	8.8



Risk/Return Profile Since Inception

	Fund	Benchmark
Excess Return	-5.9%	
Beta	0.9	
Sharpe Ratio	-1.1	-0.9
Skewness	0.2	0.1
Kurtosis	3.5	3.6
Std. Deviation	34.8%	33.5%

Risk/Return & Tracking

	vs Benchmark
R-Square	77.4%
Information Ratio	-0.3
Treynor Ratio	-0.4
Tracking Error	17.2%
Correlation	0.9

Sector Weights(%)

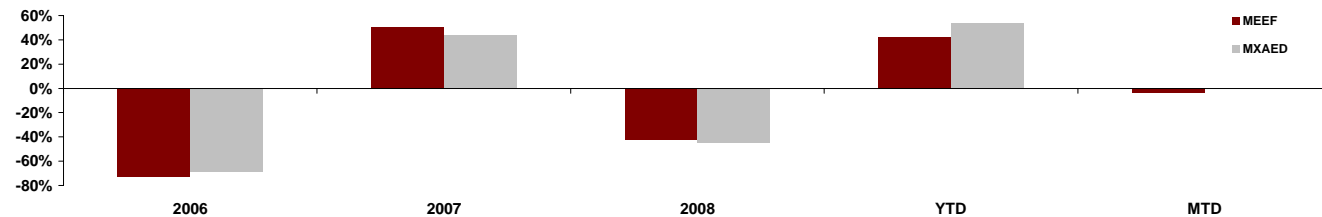
Sector	Fund	Benchmark
Banks	5.3	34.2
Capital Goods	4.7	0.0
Diversified Financials	16.2	11.3
Energy	0.0	6.3
Insurance	5.6	0.0
Materials	0.0	1.4
Real Estate	49.6	34.3
Telecom	8.8	2.7
Transportation	6.6	7.6
Utilities	2.4	2.3
Cash	0.9	0.0
Total	100.0	100.0

Characteristics

Div Yield	Fund 3.1%	P/E- 1Yr	Fund 11.4
P/B	1.2	ROE	11.9%

Source: Bloomberg, Mashreq

Performance Chart



Fund Strategy

Makaseb Emirates Equity Fund (MEEF) aims to achieve long term capital appreciation through investment primarily in shares listed on the UAE stock exchanges. The MEEF portfolio is constructed after careful evaluation of various factors including the liquidity of the stock, company fundamentals, profitability, and overall portfolio risk considerations.

- The fund lost 3.7% during the month underperforming MSCI UAE Index by 3.6%
- The performance gap resulted mainly from the lack of exposure to the heavy weight FGB which contributed most of the underperformance
- Stock Selection in Telecommunications coupled with our exposure to Insurance & Capital Goods also detracted performance
- The fund has gained performance from exposure to real estate, transportations, and energy during the month

Fund Codes:

WKN: AOJ3RM
 ISIN: BH000AOJ3RM7
 Bloomberg Code: MAKEEFD BI
 Zawya Code: MAKEMRE.MF
 Reuters ID: LP65038277
 Lipper ID: 65038277

Makaseb Qatar Equity Fund (NAV as at 29 October 09 - USD 6.71737)

Inception Date: 06/21/05; Benchmark: MSCI Qatar Index

Performance

	Total Return(%)		Total Return(%)			
	October 2009	YTD 2009	One Year	Two Year	Three Year	Since Inception
MQEF	-3.3	8.3	17.0	-23.6	9.7	-32.8
MXQA	-2.6	3.0	5.6	-26.1	3.4	-32.7

	Annual Return(%)			
	2005	2006	2007	2008
MQEF	-3.3	-39.2	47.1	-28.3
MXQA	7.7	-42.6	47.3	-28.3

Top Holdings(%)

Commercial Bank Of Qatar	15.8
Qatar Industries	14.3
Qatar National Bank	12.5
Qatar Electricity & Water	10.3
Qatar Islamic Bank	9.4



Risk/Return Profile Since Inception

	Fund	Benchmark
Excess Return	-0.1%	
Beta	0.9	
Sharpe Ratio	-1.2	-1.2
Skewness	-0.1	-0.4
Kurtosis	3.2	3.4
Std. Deviation	31.2%	31.6%

Risk/Return & Tracking vs Benchmark

R-Square	85.6%
Information Ratio	0.0
Treynor Ratio	-0.4
Tracking Error	12.2%
Correlation	0.9

Sector Weights(%)

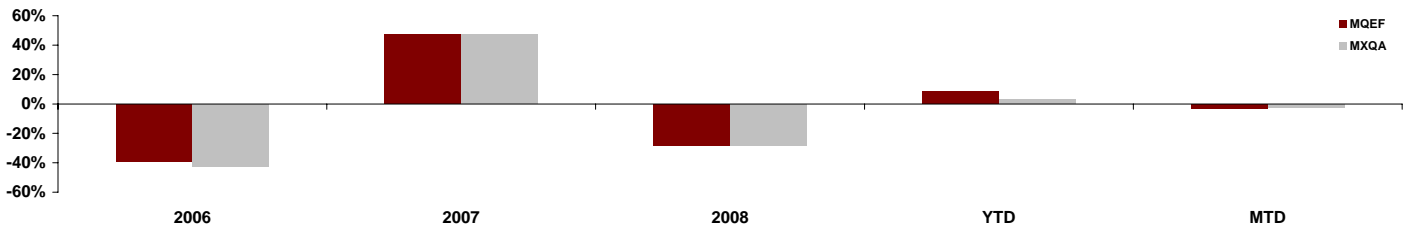
Sector	Fund	Benchmark
Banks	37.7	56.4
Capital Goods	14.3	10.5
Energy	12.3	7.9
Insurance	4.5	2.6
Real Estate	3.5	5.5
Telecom	11.6	14.2
Utilities	10.3	2.9
Cash	5.8	0.0
Total	100.0	100.0

Characteristics

Div Yield	Fund 6.1%	P/E - 1Yr	Fund 10.7
P/B	Fund 3.0	ROE	Fund 26.3%

Source: Bloomberg, Mashreq

Performance Chart



Fund Strategy

Makaseb Qatar Equity Fund (MQEF) aims to achieve long term capital appreciation through investment primarily in shares listed on the Doha Stock Market. The MQEF portfolio is constructed after careful evaluation of various factors including the liquidity of the stock, company fundamentals, profitability, and overall portfolio risk considerations.

- The fund lost 3.3% during the month underperforming MSCI Qatar Index by 0.7%
- Stock selection within the banking sector was responsible for most of the underperformance as our overweight in CBQ has underperformed
- Our overweight positions in Utilities, Capital Goods and Energy detracted performance

Fund Codes:

WKN: A0J3RN
 ISIN: BH000A0J3RN5
 Bloomberg Code: MAKQEFD BI
 Zawya Code: MAKQTRE.MF
 Reuters ID: LP65038278
 Lipper ID: 65038278

Makaseb Emirates Opportunities Fund (NAV as at 28 October 09 - USD 4.70736)
Inception Date: 06/26/05; Benchmark: MSCI UAE Domestic Index
Performance

	Total Return(%)		Total Return (%)			
	October 2009	YTD 2009	One Year	Two Year	Three Year	Since Inception
MEOF	0.7	69.4	23.6	-31.9	-18.1	-52.9
MXAED	4.1	59.8	-1.6	-47.7	-39.0	-62.3

	Annual Total Return (%)			
	2005	2006	2007	2008
MEOF	-8.9	-44.5	55.5	-64.6
MXAED	-4.9	-44.5	43.2	-68.8

Top Holdings(%)

Islamic Arab Insurance Compa	11.4
Air Arabia	8.9
Aldar Properties	8.4
Abu Dhabi Commercial Bank	8.0
Emaar Properties	7.6


Risk/Return Profile Since Inception

	Fund	Benchmark
Excess Return	11.2%	
Beta	0.7	
Sharpe Ratio	-1.0	-1.4
Skewness	-0.7	-0.8
Kurtosis	10.5	4.1
Std. Deviation	54.9%	50.0%

Risk/Return & Tracking

	vs Benchmark
R-Square	48.4%
Information Ratio	0.3
Treynor Ratio	-0.8
Tracking Error	31.5%
Correlation	0.7

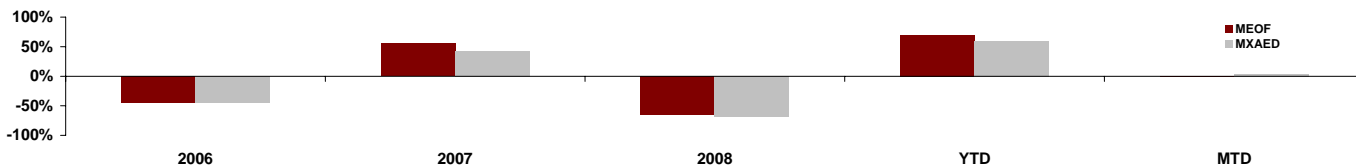
Sector Weights(%)

Sector	Fund	Benchmark
Banks	8.0	34.2
Capital Goods	6.7	0.0
Diversified Financials	0.0	11.3
Energy	0.0	6.3
Insurance	11.4	0.0
Materials	0.0	1.4
Real Estate	20.1	34.3
Telecom	7.2	2.7
Transportation	8.9	7.6
Utilities	0.0	2.3
Cash	37.7	0.0
Total	100.0	100.0

Characteristics

	Fund	Fund
Div Yield	2.7%	8.7
P/B	1.1	15.2%
P/E- 1Yr ROE		

Source: Bloomberg, Mashreq

Performance Chart

Fund Strategy

Makaseb Emirates Opportunities Fund (MEOF) aims to achieve long term capital appreciation through investment primarily in shares listed on the UAE stock exchanges by using a dynamic asset allocation strategy. The MEOF portfolio is constructed after careful evaluation of market factors including liquidity and price action to determine the optimum market exposure. The monitoring and adjustment of market exposure is dynamic, in order to take into account changing market dynamics.

- The Fund returned 0.7% during the month. During the same period the benchmark MSCI Arabian Markets Index returned 4.1%
- Sector selection hurt relative performance during the month. Our underweight position in Financials, Utilities, Materials & Energy and our overweight in Transportation provided cushion to funds performance
- Exposure to Insurance & Capital Goods which are an off index bet also detracted our performance

Fund Codes:

WKN: AOJ3RP
 ISIN: BH000AOJ3RPO
 Bloomberg Code: MAKEOFD BI
 Zawya Code: MAKEMRD.MF
 Reuters ID: LP65038279
 Lipper ID: 65038279

Makaseb Income Fund (NAV as at 27th October 09 - USD 9.2258)

Inception Date: 03/29/06 ; Benchmark: HSBC/Nasdaq Dubai Middle East Investment Grade Sukuk/Bond Index

Performance	Total Return(%)		Annual Return(%)		
	October	YTD	Since		
	2009	2009	2007	2008	Inception
MIF	2.0	13.3	3.2	-21.7	-7.7
MEIGTR	1.4	23.1	3.6	-14.9	13.0

Top Holdings	
Qatar Telecom	13.7%
Jafza	8.5%
DP World	7.0%
Gazprom	6.7%
State Bank India	5.9%

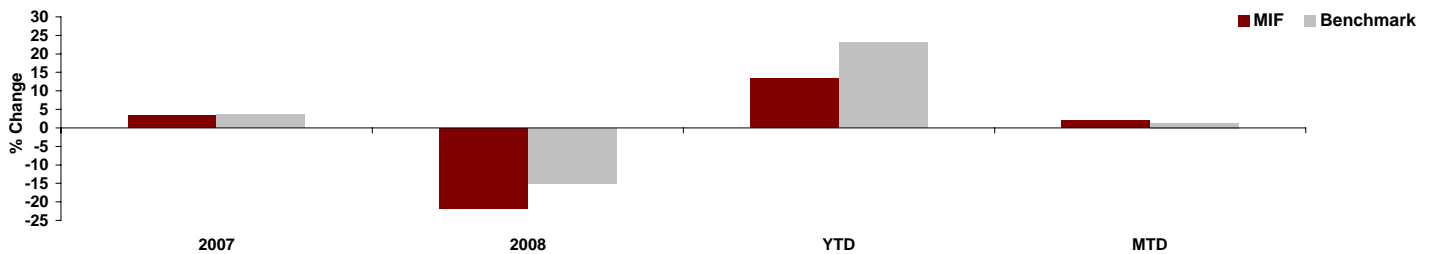
Performance Summary	Fund(%)	Income Summary	Fund
3 Month Return	10.6	YTM	6.7%
YTD	13.3	Average Maturity	5.8
		Modified Duration	2.4

Regional Weights	
Bahrain	7.1%
Brazil	2.9%
China	2.2%
Egypt	4.2%
India	5.9%
Indonesia	5.9%
Qatar	18.9%
Russia	8.2%
Saudi Arabia	5.0%
Sri Lanka	0.8%
United Arab Emirates	38.9%
Cash	0%
Total	100.0%

Portfolio Composition	Fund(%)	Portfolio Rating Profile	Fund(%)
Bonds	100.0	AAA to AA-	5.3%
Cash	0.0	A+ to A-	38.7%
Net Leverage	15.1	BBB+ to BBB-	35.5%
		BB+ to BB-	2.9%
		B+ to B-	3.7%
		CCC+ to CCC-	4.2%
		Not Rated	9.7%
		Cash	0.0%
		Total	100.0%

Source: Bloomberg, Mashreq

Performance Chart



Fund Strategy

Makaseb Income Fund (MIF) primarily seeks to provide current income along with the stability of capital. Fund's secondary objective is to seek income growth over the long term. The Fund aims to achieve its investment objective by investing in a diversified portfolio of fixed and floating rate investments originating from countries in the GCC, MENA, South Asia and other emerging economies.

- The fund gained 1.95% during the month and beat the HSBC Middle East Investment Grade benchmark by more than 50bps.
- As opposed to last period's record gain of 6.2%, this month's performance is a sign that the regional debt markets have cooled off. The volatility we saw earlier in UAE names due to the various Nakheel rumours has subsided, and investors are now expecting a timely bond repayment by the property developer.
- The fund has been active in the primary market, picking up names such as State Bank of India, Dubai Government, and Tourism Development & Investment Co. In order to participate in the new issuances, we increased our leverage this month and as of 27th Oct. had a net leverage of 15.1% as opposed to a limit of 60%.

Fund Codes:

WKN: AOJ3RR
 ISIN: BH000AOJ3RR6
 Bloomberg Code: MAKAINC BI
 Zawya Code: MAKINCM.MF

Mashreq Arab Tigers Fund (NAV as at 29 October 09 - USD 11.4241)

Inception Date: 08/26/08; Benchmark: MSCI Arabian Market Index

Performance

	Total Return(%)		Total Return(%) Since Inception
	October 2009	YTD 2009	
MashreqATF	-1.2	13.1	14.2
MXARM	-0.5	25.7	-34.2

Top Holdings(%)

Abu Dhabi Sovereign Bond	27.2
Qatar Fuel	8.4
Qatar Electric & Water	5.2
Qatar Gas Transport	4.9
EFG Hermes Holding SAE	4.9

Risk/Return Profile Since Inception

	Fund	Benchmark
Excess Return	48.5%	
Beta	0.1	
Sharpe Ratio	0.7	-1.2
Skewness	1.7	-0.7
Kurtosis	9.4	3.2
Std. Deviation	11.0%	28.8%

Risk/Return & Tracking

	vs Benchmark
R-Square	6.0%
Information Ratio	1.8
Treynor Ratio	0.8
Tracking Error	27.2%
Correlation	0.2

Sector Weights(%)

Sector	Fund	Benchmark
Banks	0.5	33.0
Consumer Services	0.0	0.2
Materials	0.0	23.1
Transportation	3.9	2.6
Real Estate	0.0	7.7
Food Beverage & Tobacco	0.0	2.2
Capital Goods	8.4	5.8
Diversified Financials	4.9	3.9
Telecommunication	4.0	16.2
Energy	13.3	3.3
Utilities	5.2	1.6
Insurance	3.6	0.1
Commercial & Professiona	0.0	0.3
Bonds	27.2	0.0
Cash	29.0	0.0
Total	100.0	100.0

Characteristics

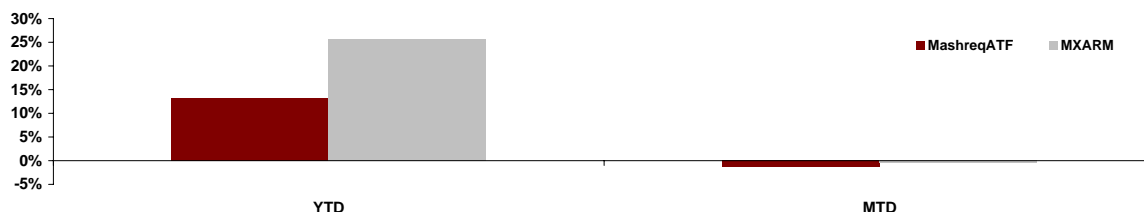
	Fund
Div Yield	4.4%
P/B	1.5
P/E- 1Yr	10.5
ROE	29.3%

Regional Weights(%)

	Fund	Benchmark
UAE	34.7	8.7
Saudi Arabia	0.0	46.7
Kuwait	0.0	13.2
Qatar	22.7	5.7
Bahrain	0.0	6.6
Jordan	0.0	1.5
Morocco	0.0	4.6
Oman	3.0	2.1
Lebanon	0.0	1.8
Tunisia	0.0	0.3
Egypt	10.6	8.8
Cash	29.0	0.0
Total	100.0	100.0

Source: Bloomberg, Mashreq

Performance Chart



Fund Strategy

The investment objective of the Portfolio is to seek long term capital appreciation through investments made primarily in equities of companies that are listed on Recognized Markets in the Middle East and North Africa ("MENA") region.

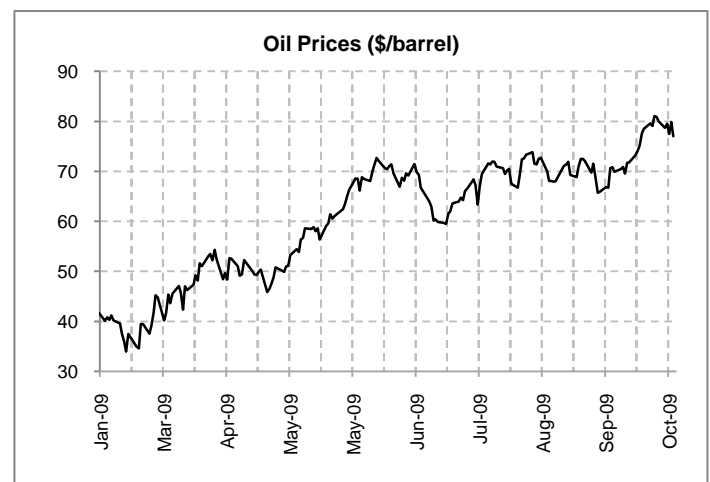
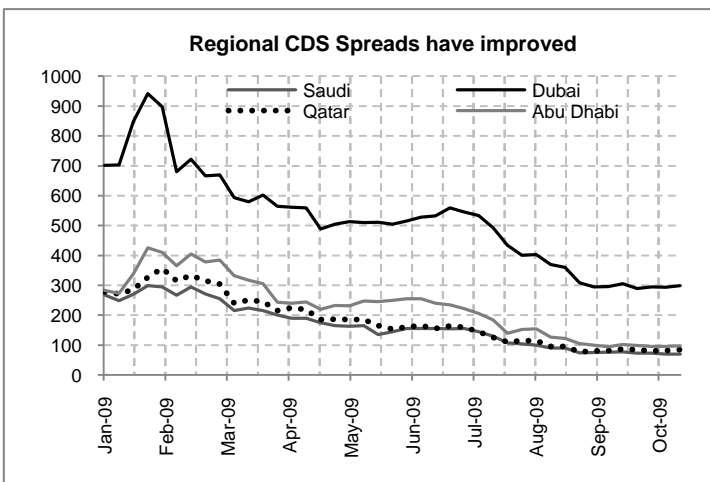
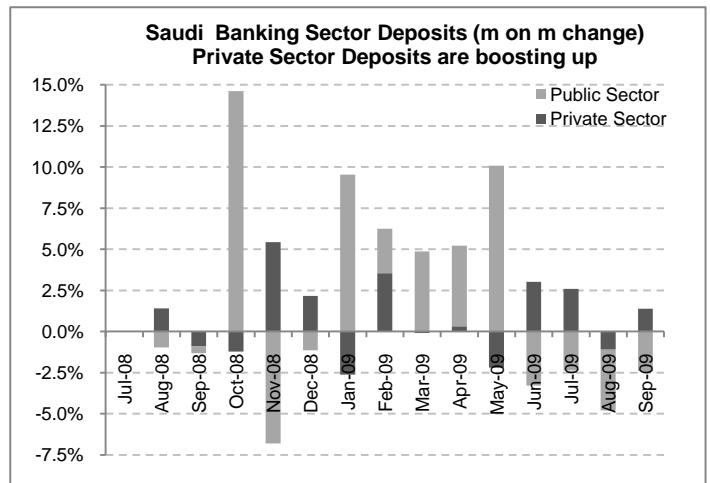
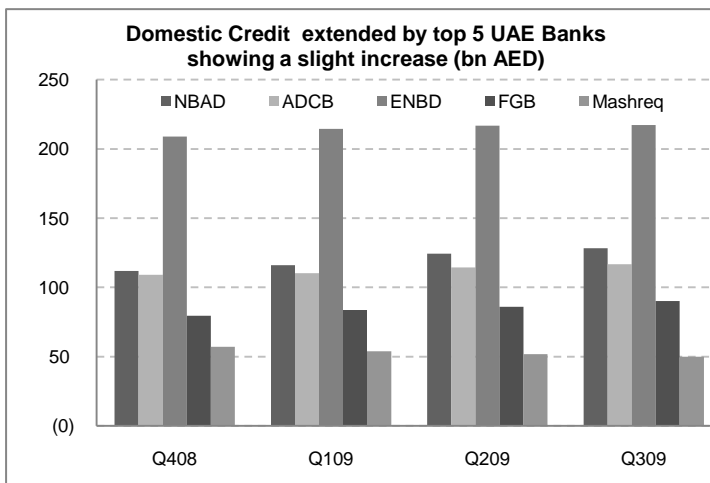
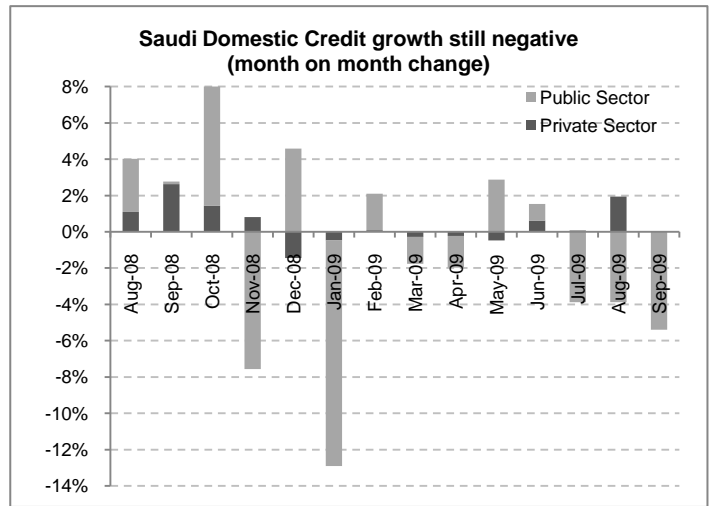
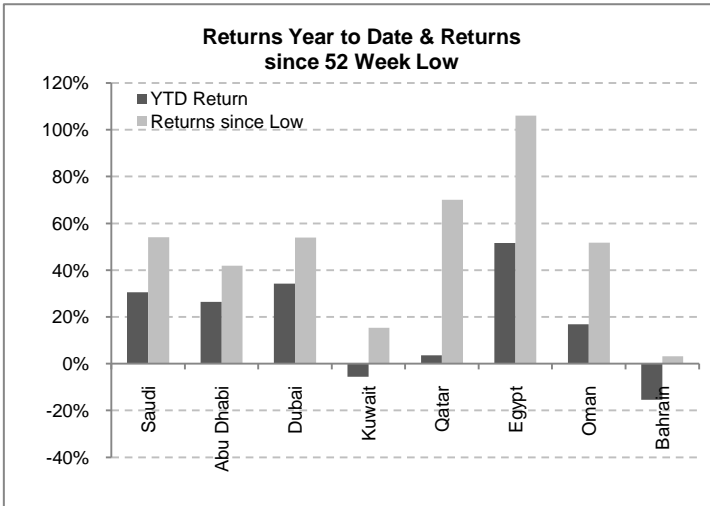
- The Fund lost 1.2% during the month. The benchmark MSCI Arabian Markets Index lost 0.5% during the period.
- Bulk of the relative performance differential is explained through our sector allocation in Utilities, Energy, Insurance & Capital Goods

Fund Codes:

WKN: AORDDX
 ISIN: IE00B29MW600
 Bloomberg Code: MASARTI ID
 Reuters ID: LP 65122961
 Lipper ID: 65122961



Key Economic Themes in pictures



Source: Bloomberg, Mashreq, Central Bank Websites, BMI

Disclaimer: Performance data quoted represents past performance: past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted.

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