Makaseb Emirates Equity Fund
October 2005

Investment Objective:
To achieve long term capital appreciation through investing mainly in shares of companies listed on the Stock Exchanges of UAE.

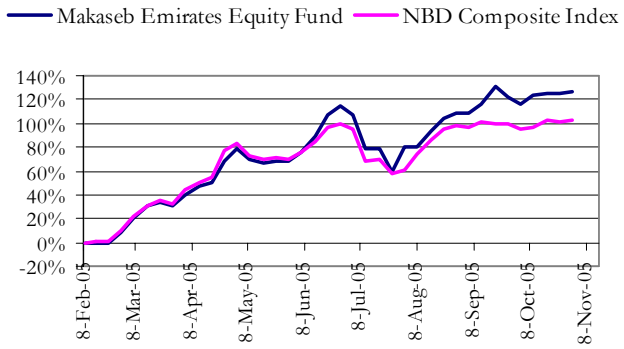
Executive Summary

Fund Type	Open-End Fund
Domicile	Bahrain
Currency	US Dollar
Regulator	Bahrain Monetary Agency
Net Asset Value	Weekly
Subscription	Weekly
Redemption	Weekly
Management fee	1.5% p.a.
Investment Manager	Mashreqbank psc
Share Registrar	Ernst & Young, Bahrain
Administrator	Gulf Investment Corporation
Custodian	Gulf Investment Corporation
Auditor	Deloitte & Touche
Primary listing	Dubai Financial Market

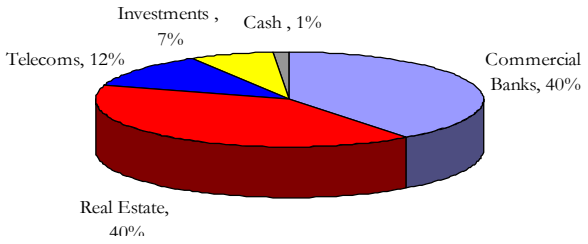
Performance Summary

NAV (Oct 31, 2005)	USD 22.66
Aug 2005	25.71%
Sep 2005	10.53%
Oct 2005	0.25%
Since Inception (Feb 8, 2005)	132.11%

Performance Chart



Sector Allocation



Overview and Outlook

The UAE markets witnessed little activity during October on account of lower liquidity albeit corporate earnings for the 9-month period have been impressive. The markets generally remained flat with National Bank of Dubai Composite Index ("NBDCI") inching up by 1bps during the month. Most of the activity was witnessed in small capitalization stocks while large capitalization stocks remained relatively inactive. Etisalat continued to depress the market following investors' reaction to the negative news about its awaited deal to acquire 26% of Pakistan Telecommunication Company ("PTCL"). On October 30, it was officially announced by the Government of Pakistan that Etisalat has backed away from its bid to acquire PTCL; this is expected to reduce uncertainty surrounding the stock price. In the aftermath of this event, we expect the company will continue seeking growth opportunities in the region.

Makaseb Emirates Equity Fund ("MEEF") largely tracked the market and added 25 bps during the month bringing its year to date return to 132.11%. The fund generally benefited from Dubai Islamic Bank ("DISB"), MEEF's third largest position, which fared relatively well and the stock price moved up by 6.46% during the month mainly on account of strong 9 months profits resulting in robust earnings growth of 106% over the corresponding period last year. DISB has been expanding its branch operations rapidly and increasing its presences by opening representative offices in the region. On the other hand, Emaar failed to impress the market by its robust 9 months profitability posting a 255% earnings growth over the corresponding period last year. Its stock price during the month declined by 0.74%

Going forward, we expect net inflow of funds into the equity market following Eid-ul-Fitar holidays. Also funds that had earlier flowed into DanaGas IPO will return to the market. This is expected to increase activity going forward. Further, current valuations can be more justified in light of October's corporate earnings announcements and this fact would strengthen investors' confidence in the market.

Issued on November 2, 2005